ISTANBUL BILGI UNIVERSITY

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INTERNATIONAL POLITICAL ECONOMY MASTER'S DEGREE PROGRAM

EVERYDAY EXPERIENCES OF INDEBTEDNESS: THE CASE OF TURKEY

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Borçluluğun Gündelik Deneyimleri: Türkiye Örneği

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TABLE OF CONTENTS

LIST OF ABREVATIONS

EU: European Union

FED: Federal Reserve Bank

FDI: Foreign Direct Investment

GDP: Gross Domestic Production

IBRD: The International Bank for Reconstruction and Development

IDA: The International Development Association

IMF: International Monetary Fund

JDP: Justice and Development Party

MP: Motherlands Party

OECD: Organization for Economic Co-operation and Development

SEE: State Economic Enterprises

SDIF: Saving Deposit Insurance Fund of Turkey

USA: United States of America

UK: United Kingdom of Britain

TRY: Turkish Lira

WB: World Bank

WP: Welfare Party

LIST OF FIGURES

LIST OF TABLES

ABSTRACT

Consumer loan has become more accessible and more common in the past ten years of Turkish society. Nonetheless, the story of financialization of each aspect of life has begun by mid-1970s. As the finance has restructured more areas of economic and social production, this phase of capitalism has started to be called "neoliberalism." The question "What are the social costs of consumer credit expansion?" oversteps the limits of finance and economics and links the issue of debt to the political science and sociology. Within these considerations, the primary aim of this study is to explore the social cost of consumer credit expansion which becomes visible in the political sphere and changed daily lives, relations, perceptions after became indebted. Moreover, indebtedness changed the political and social contexts, as politics and society are both shaped by the dynamics of the financialization. This interaction is analyzed with a focus of debt on personal experience. The primary motivation of the thesis is to understand the social context of indebtedness, and it will be supported with qualitative field study which applies semi-structured questions in-depth interviews with eighteen debtors to create an open space to tell their experience about the situation of being in debt. The in-depth interviews aim to investigate the question of how the debt relations bring a new form of governmentality in the neoliberal era and debt itself becomes a tool of containment of mobilization or reaction to the misdeeds or discontents of neoliberal transformation.

Keywords: Financialization, Household Indebtedness, Neoliberal Governmentality, Dispositive, Turkey

ÖZET

Tüketici kredisi, Türkiye'de son on yılında daha erişilebilir ve daha yaygın hale gelmiştir. Bununla birlikte, hayatın her yönünün finansallaşmasının öyküsü 1970'lerin ortalarında başlamıştır. Finans, ekonomik ve sosyal üretimin alanını daha fazla yeniden yapılandırırken, kapitalizmin bu aşaması "neoliberalizm" olarak adlandırılmaya başlanmıştır. "Tüketici kredisi genişlemesinin sosyal maliyetleri nedir?" sorusu finans ve ekonomi sınırlarını aşarak, borç konusunu siyaset bilimi ve sosyolojiye bağlamaktadır. Bu çerçevede, çalışmanın temel amacı, tüketici kredisinin genişlemesinin, borçlandıktan sonar siyasal alanda, gündelik hayatta, ilişkilerde, algılarını değişmesinde görünür hale gelen borçlanmanın sosyal maliyetini araştırmaktır. Ayrıca, borçlanma siyasal ve toplumsal bağlamları değiştirirken, politika ve toplum da finansallaşmanın dinamikleriyle şekillenmiştir. Bu etkileşim, borcun kişisel deneyimi odağı ile analiz edilmiştir. Tezin temel motivasyonu, borçluluğun sosyal bağlamını anlamaktır ve bu, yarı yapılandırılmış sorular ile açık alan yaratılarak on sekiz borçlu ile yapılan derinlemesine görüşmeler uygulayan nitel alan araştırması ile desteklenmiştir. Derinlemesine görüşmeler, borç ilişkilerinin neoliberal dönemde nasıl yeni bir yönetimsellik oluşturduğunu ve borcun kendisinin nasıl toplumsal mobilizasyonu ve neoliberal dönüşümün getirdiği hoşnutsuzluğu sınırlayan araç haline geldiğini araştırmayı hedeflemektedir.

Anahtar Kelimeler: Finansallaşma, Hanehalkı Borçlanması, Neoliberal Yönetimsellik, Dispozitif, Türkiy

INTRODUCTION

The Minister of Custom and Trade Bülent Tüfekçi stated that “We previously had ended paying for grocery store purchases by installment, and now we might issue three installments for grocery shopping.”[1] He justified this new regulation as “a relief for the domestic market”. This suggestion only remained as a thought, however, the approach towards basic needs of people and generating purchasing power was revealed through this statement. Besides this, new installment regulations[2] issued nine installments for purchasing medical products and health services.

Future income has been already spent with the regulation change of permitting seventy-two months of installments.[3] How will the debtors' life change while they are paying the installments in 72 months? In addition to the credit cards, consumer credits started to be entitled as “health credit” or “education credit” like social policy services. Banks advertising slogan “health credit came to rescue” erased the question “who should provide social services to society?”. Another interesting consumer credit is the “mandatory military service exemption payment credit" which can be applied through sending a SMS with ID number like other consumer credits.

Getting credit became more accessible and more common in the past ten years of Turkish society. Nonetheless, the story of financialization in the world began by mid-1970s. Finance became more than a key, but a machine itself. As the finance has restructured more areas of economic and social production, this phase of capitalism has started to be called “neoliberalism”. Margaret Thatcher’s famous statement “Economics is the method: the object is to change the soul” summarizes what neoliberalism has achieved. The stagflation crises in the 1970s changed the

[1] http://www.hurriyet.com.tr/market-alisverislerinde-kredi-kartiyla-taksit-imkani-gundemde-40225341, 12.05.2018
[2] http://www.resmigazete.gov.tr/eskiler/2016/09/20160927-1.htm, article 1
[3] http://www.resmigazete.gov.tr/eskiler/2016/09/20160927-1.htm, article 2

whole perspective towards economy and politics. The market was acknowledged as the natural mechanism, which builds “justice” and acts as a verification mechanism in case it processes freely without any interventions and restrictions. Besides the short break of the welfare state, market was applied to economics long before the neoliberal times. However, neoliberalism managed to embed market as a regime of truth in political and social context. According to Michel Foucault (2008), neoliberalism reestablished the previously used liberal economic theory and became the instrument of collective execution of market relations into society. Moreover, neoliberalism presented itself as a promoter of "laissez-faire" but placed the state as the protector of the new regime of truth, the market which differentiates neoliberal governmentality (Foucault M. , 2008).

As the link between financial capital and real saving was breaking down, the debt crisis in the 1980s initiated the deeper financialization of the developing world. Turkey had been implementing an import substitution growth strategy until the 1980s, which aimed to reduce the economic dependency via planned local industry. However, the import substitution strategy resulted in external debt crises. This crisis was one of the many debt crises while Turkey changed its economic system in compliance with the structural adjustment reforms as the IMF guided. September 12th, 1980, military coup finally created an atmosphere which allowed implementation of critical changes such as export-oriented economy and launching multiple series of market-oriented reforms. During the 1990s, Turkey started to face economic crises sourced by the imbalance within the financial system.

The 2001 crises allowed Kemal Derviş to structure the economy in accordance with the neoliberal approach which was actually realized by the Justice and Development Party as a result of its winning majority seats within the parliament. Since 2002, Justice and Development Party government issued neoliberal transformation without any significant social resistance specifically against neoliberal transformations. How did Justice and Development Party implement strict neoliberal paradigm and managed the tension stemming from neoliberal macroeconomic transformation since the 1980s? Which instruments were used by Justice and Development Party against any possible resistance to such structural adjustment policies? One of the explanations to such question lies in the extension of financialization of the Turkish economy and the expansion of consumer credit throughout society.

Debt is usually examined as a mere economic issue, through questioning the effects of the expansion of consumer credits on consumer behavior or on the banking sector or on the private sector. These questions mainly focus on the macroeconomic dimension of debt and conduct an econometric analysis about the effects of internal debt over the main macroeconomic indicators. Beyond economic analyses, the studies about law deal with the management of debt based on the code of obligations. However, it could be argued that these attempts merely aim to understand the effects of one abstract economic phenomenon to explain another abstract economic concept.

Rephrasing, the literature on debt remained restricted within the borders of the field of economics. Moreover, this problematic view ignores the social context of debt and abstracts this economic phenomenon from personal experiences and perceptions. As a consequence, mainstream economists and policymakers try to fix economic problems through playing with economic tools, like fluctuating interest rates. Besides, an economic indicator is defined as a problem if only that economic indicator shows an unusual activity according to its definition by economics. For example, if inflation increases strangely, it is started to be defined as a problem and called hyperinflation. To give another example, the debt ratio is usually acknowledged as an economic indicator. However, when the assets take position that cannot cover the debt, it is started to be seen as a problem. However, an economic phenomenon like debt has a significant impact on social and political life which demonstrates the problematic nature of debt itself. The abstraction of economic phenomena closes the prospects to see effects of economic problems on social life. As a result, an economic problem cannot be solved, because policymakers cannot assess how and why it affects people.

The issue of debt cannot be merely reduced to the field of economics and finance literature, indebtedness is a social phenomenon which concerns a great variety of social sciences. As an example, the question “What are the social costs of consumer credit expansion?” oversteps the limits of finance and economics and links the issue of financialization to political science and sociology. The subject matter and focus of this thesis are crucial because it tries to understand the effects of financialization on everyday life, through analyzing the social and political construction of economy and vice versa. The term “financialization” is thus used not just for financialization of all economic behavior but also for social relations between individuals and between the state and citizens.

Within these considerations, the main aim of this study is to explore the social cost of the consumer credit expansion. The parallelism between the increased household indebtedness and the decreased mobilization against neoliberal policies is intriguing. The social cost of debt might become visible in the political sphere and daily life. Personal lives, relations, lifestyles might have been changed after becoming indebted. Moreover, the social cost of consumer credit expansion should not be understood as a linear process, but as an interaction. In other words, indebtedness might have been changing the political and social contexts, as politics and society are both shaped by the dynamics of the financialization. This interaction is analyzed with a focus of debt on personal experience in Turkey after the 2000s.

Debt did not occur recently, but in the recent years, it has increased extremely. Since neoliberal logic introduced many instruments affecting and transforming social context, it should be noted that there might be a close relation between the expansion of debt and hegemony of neoliberalism in the last decades. However, this dissertation does not focus on every aspect of neoliberalism, but the financialization and its social costs. Financialization is a comprehensive term which affects economic and non-economic actors. Non-financial enterprises, banks and households have been included into finance and finance has many aspects to explore, like financial products, money, commercial credits. In this thesis, the main focus will be on the financialization of households under debt with a case study aiming to analyze the scope of the social cost of consumer credit expansion in Turkey, particularly after the 2000s.

The method of this thesis provides a literature review which concentrates on the dynamic relation between the neoliberalism and financialization through their mutual constitution. The literature review supports as theoretical and historical background and frames how indebtedness became a social and political phenomenon. It is crucial to understand structural dynamics of the recent credit expansion and indebtedness in Turkey and since they are not peculiar to Turkey and may be easily observed in different national contexts, not limited to the underdeveloped world. Additionally, in order to understand the scope and volume of such credit expansion and indebtedness, various statistics on household credit expansion like ratio of individual borrowing to total borrowing, household debt to net disposable income, number of borrowers based on household income are consulted. Beyond statistics on the expansion of debt, the main motivation of the thesis is to understand social context of indebtedness. It will be supported with a qualitative method, which aims to investigate the question of how the expansion of the debt relations within the social life brings a new form of the governmentality in the neoliberal era and debt itself becomes a tool of containment of mobilization or reaction against the misdeeds or discontents of the neoliberal transformation.

The qualitative field study is based on in-depth interviews with eighteen debtors. The interviews took place between January-April 2018. The interviewees are selected from different backgrounds, age and income which serves the field study to understand diverse experiences. The semi-structured questions have been used for creating an open space for debtors to tell their experience under debt. Additionally, the interviewees have different forms of indebtedness, such as “education credit”, “health credit” or “military service exemption credit” since the field study aims to understand which conditions forced debtors to apply for credit. The parallelism of the purposes and names of consumer credits and social policy services is intriguing. This similarity raises the question whether the social policy services and social safety nets are assigned to market and specifically to credit. Most importantly how indebtedness shaped political preferences and perceptions on the economic processes during neoliberal transformation process?

With this aim, particularly, a set of questions will be on the views of the debtors on economic relations, as well as changing perceptions of the debtors in the debt relation. The social cost of the debt investigated through the questions such as “Why did you get credit?” “Which expenses did you cover with debt?” “What changed in your daily life after you become indebted?” “Which social relations changed in your life?”. Through these questions, the financialization of social context is explored to understand mutual constitution of the social and economic life. “Do you think your political choices or activities changed after you become indebted?” will provide an answer to the effects of debt on political sphere.

To sum up, the social cost of increased indebtedness of Turkish society is explored through field research which grounds on theoretical and historical background of financialization effects on society. These effects examined through providing historical development of neoliberalism and financialization of world economy and discussing debt as a dispositive of neoliberal governmentality which imposes market as regime of truth. Neoliberal transformation was started to be experienced in the global world economy as a response to the consequences of the 1970s crisis. In addition to the financialization of world economy proceed in line with neo-liberalization of capitalized economies, but Turkey as a late-capitalized country could initiate the process of financialization in the 1990s. The inclusion of households into financialization was achieved in the 2000s through household indebtedness.

For this aim, in the first chapter following the introduction, the theoretical toolbox of the critical political economy will be used to enlighten the macroeconomic transformation of world economy towards neoliberalism, in which the finance became the steam engine. However, the neoliberalism did change not only the economics but also the social and political contexts. The concepts of governmentality, discipline and hegemony are used to analyze the role of debt in neoliberal transformation. In the second chapter, the neoliberal transformation process of Turkey will be analyzed and how the financial rule has been hegemonic will be narrated historically. Undoubtedly there are close similarities in terms of the constitution of debt relations and financial parameters between Turkey and different geographies, as well as particularities. It should be noted that in this narration, a particular attention would be paid to the successive economic crises of the 1990s and 2000s in Turkey, which accelerated and deepened the social and economic constitution of debt relations. In this case, Turkey transformed its economic system during and after economic crises. In the last chapter, chapter three, effects of these crises will be analyzed with a particular focus on the expansion of consumer credits in particular and resulting social costs of debt in general.

1. CHAPTER FINANCIALIZATION OF THE WORLD ECONOMY

1.1. Financial Inclusion

After the Second World War, the form of state was restructured along with international relations. International institutions like United Nations, International Monetary Fund, World Bank were founded in order to secure the newly established international peace and global trade mechanism. The global trade mechanism encouraged by fixed exchange rates which were anchored by the gold standard of the US dollar. The mechanism placed the US dollar into the center in convertibility, and thus, placed the US dollar as a global reserve currency (Bonefeld & Holloway, 2007, p. 64). Many states started to focus on full employment, economic growth, and welfare of their citizens in order to secure their national peace. As Harvey stated "To ensure domestic peace and tranquility, some sort of class compromises between capital and labor had to be constructed" (Harvey, 2005, p. 10). The state interventions into the market were seen as necessary according to Keynesianism which proposes "embedded liberalism" (Harvey, 2005, p. 11) to ensure economic growth.

During late 1960s, demographic changes such as women employment and aging, and production mode changes such as high-technology and post-Fordism affected welfare state. The welfare state system's full-employment was based on the employment of every man who was affording for his family. Women entering to the workforce and baby boomer just after the Second World War changed the labor scene. Moreover, the production mode changed with new technologies and global competition. Furthermore the decline in economic growth, the end of the long boom led to the stagflation which ended up in high unemployment rates. Besides classical employment transformed into precarious employment which was deprived of benefits such as social security or pension. These changes broke down the employment-livelihood relation and full-employment assumption. Increased unemployment and dependent population also boosted the social policy expenses.

Another cause of economic instability was fixed exchange rates which used to secure national currencies from international short-term speculative monetary movements. However, balance of payment problems between national and international economies caused an exchange rate crisis (Bonefeld & Holloway, 2007). Keynesianism started to be questioned.

According to Panitch and Gindin, the hyperinflation, massive unemployment, low-profit rates, balance of payment problems and low economic growth did not lie entirely or even mainly on Keynesian economics (Panitch & Gindin, 2012). Organization of Petroleum Exporting Countries (OPEC) doubled and redoubled oil prices in late 1973 and subsequent months because of consequences of the Arab-Israel War. Oil was one of the main components of production. The increased oil prices affected both economic growth and profit rate of capitalized and late capitalized countries. For capitalized countries, rate of profit was low since the 1960s and oil prices increased cost of production which resulted in increased prices of end-product and inflation.

Gülten Kazgan argued that late capitalized countries which do not have oil reserves could not buy imported goods, as well as could not bear energy expenses due to the increased oil prices (Kazgan, 2016, p. 28). “The decade of the 1970s came to be characterized by stagflation-economic stagnation, marked by low growth rates and high unemployment, combined with high inflation.” (Peet & Hartwick, 2009, p. 77). After the 1970s’ oil-crisis, the mainstream economists saw the impossibility of the Keynesian regime; unemployment and the inflation started to increase together. Keynesianism could not explain this new phenomenon. And economic growth was declining globally.

The global stagflation continued until the late 1970s. Increased social expenses and decreased tax revenues due to the slow economic growth resulted in fiscal crises in many countries. “Britain, for example, had to be bailed out by the IMF in 1975-6” (Harvey, 2005, p. 12). In 1971, the USA ended the gold standard of dollar, and exchange rates were allowed to be floating. Thus, the end of fixed exchange rate system also indicated the end of Bretton Woods system. However, the other currencies were still worth by the US dollar, not gold. Thus, this led to the US dollar hegemony in the global economy.

As Gülten Kazgan stated, banknotes accomplished almost endless expansion ability within the boundaries of liquidity and the crises started to be spread continuously and endlessly (Kazgan, 2016, p. 101). Until the 1970s, while the economic growth was high, market interventions and redistribution policies of state were not questioned. However, "when the profits and interest rates collapsed in the 1970s, then upper classes everywhere felt threatened" (Harvey, 2005, p. 15). The stagflation crises in 1970s changed the whole perspective towards economy and politics that resulted in deregulation and liberalization measurements implemented by the United States and the United Kingdom between 1979 and 1982. Later other developed and developing countries adopted these measurements under the leadership of neoliberalism that spread from the USA and UK.

Prime Minister Thatcher closed all the old factories instead of renovating and focusing on unemployment. Instead of restoration of industry, she put the financial sector on track to become a global center for finance, which was another income source of the British Empire in the past (Kazgan, 2016, p. 21). Monetarist supply sided economic solutions were adopted as a cure for stagflation which has been main characteristics for the 1970s British economy. Along with the monetarist solutions, "rolling back the commitments of the welfare state, the privatization of public enterprises (including social housing), reducing taxes, encouraging entrepreneurial initiative and creating a favorable business climate to induce a strong inflow of foreign investment" (Harvey, 2005, p. 23) closed the era of welfare state for post-war organized labor class. Thatcher was not alone for her vision of neoliberal economics. Ronald Reagan abandoned the long pledge to New Deal, in order to achieve low inflation regardless of the results towards unemployment rates. Volcker Shock was a starting point for neoliberal economic solutions which was later approved by Reagan administration. Tax and budget cuts and attacks to trade unions happened following the transformation.

Milton Friedman’s influence on Ronald Reagan for remaking of the USA set the international economic policy shifted to neoliberalism direction during the 1980s. Milton Friedman rejected fiscal policy as a demand management mechanism and assigned financial policy to be the only mechanism for guiding the economy. Monetarism shifted to give priorities to inflation for policymaking. Full-employment and complementary social policy started to be accepted as unsustainable. A colleague of Friedman, Ludwig von Hayek acknowledged free price system as a natural order, not a conscious invention.

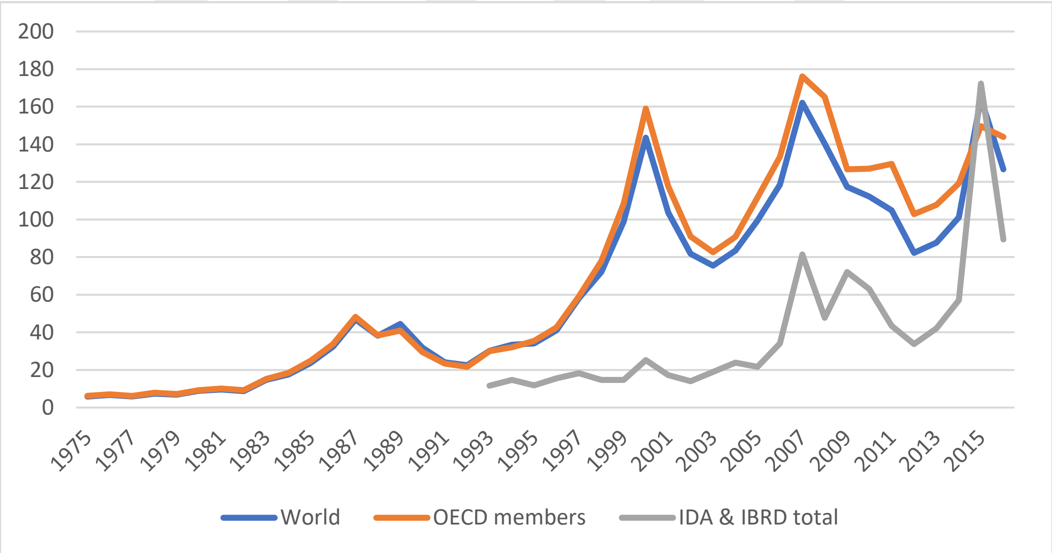
The change of order of importance in policymaking from unemployment to inflation was very crucial for financialization. Monetarism was based on monetary policy regulations on contrary to fiscal policy regulations which aims to secure real production and low unemployment rates. Declining profits in real-production required new capital accumulation methods. Monetary policy became the main instrument for economic policymaking, and the fiscal policy started to be defined as state intervention to free market. Thus, the priority of policymaking also shifted towards finance. “Since the late 1970s, real accumulation has witnessed mediocre and precarious growth, but finance grown extraordinary in terms of employment, profits, size of institutions and markets” (Lapavistas, 2012, p. 27).

According to Gülten Kazgan, the importance of finance in the economy has been changed, and this change was what differs neoliberalism from previous ages of capitalism (Kazgan, 2016). Financial capital expanded relatively more than the real capital expansion, and the role of finance became more critical in the production process compared to before. Figure 1.1. shows that the stocks traded which refers to the total value of all traded shares in a stock market exchange as a percentage of GDP. The financial activity increased steadily despite brief interruptions of economic crises.

The financial growth in the UK and the USA allowed expansion of borrowing capacity for developing countries which resulted in bankruptcy for many debtor countries in the early 1980s. In 1989, the term “Washington Consensus” started to refer policy reforms which imposed to debtor countries in Latin America.

Reduced public expenditures, tax reform, competitive exchange rates, trade liberalization and privatization, applied to (mainly Third World) borrowing countries by the World Bank and the IMF (Panitch & Gindin, 2012, p. 85). All kinds of investments, related to education, health, and social infrastructure started to be evaluated in terms of supply and demand structure of market economy and financial cost like all other investment expenditures. Thus, national governments of developing countries were characterized as ineffective in these areas, and the social infrastructure was increasingly privatized (Yeldan, 2013). The currencies of developing countries adopted currency convertibility as IMF instructed. The convertibility, free trade, free market definitions changed in IMF agreement in order to include free capital flows. In order to reduce risks for international capital flows credit rating of countries were introduced (Kazgan, 2005, pp. 191-192).

Figure 1.1. Stocks Traded, Total Value (% of GDP)



Source: (World Bank, 2018), http://data.worldbank.org

After 1990s technological innovation of telecommunications and information processing through computer has allowed national financial markets to integrate and ease the short-term monetary flows and foreign direct investments.

“From 1993 to 1998, developing economies received 35,3% of the total foreign direct investment, the highest percentage in past two decades” (Camacho & Nieto, 2012, p. 171). Global production and trade started to be dominated by multi-national companies which have provided the FDI to the developing countries since mid-1990s, rising significantly after 2000s (Lapavistas, 2012).

The age of globalization created uncertainty for convertibility of national currencies which allowed speculative opportunities in market. The speculative opportunities were not used for long-term investments such as foreign direct investment. On the contrary, they increased the short-term market operations which created a risky and uncertainty for the market. Consequently, the central banks had to reserve more foreign exchange in order to fight the uncertainty, which limited the resources for real investments. Besides, the abundance of short-term opportunities through the flow of foreign exchange appreciated national currencies which changed the structure of the national import-export balance. These conditions provided dependent and artificial economic growth which could experience a sudden collapse with the deterioration of delicate balances (Yeldan, 2013). For example, in the late 1990s and early 2000s financial and foreign exchange crises occurred in developing countries, “South Korea and other Asian countries (1997-8), Russia (1998) and Brazil (1999). Furthermore, currency crises also took place in Argentina (2001) and Turkey (2001)” (Painceira, 2012, p. 190).

In 1999, the mass savings became financial earnings after the abolition of Glass-Stegall Act. The Glass-Stegall Act in the USA was issued after 1929 Great Depression and divided deposit (commercial) banking from investment banking in order to achieve deposit protection which originated from personal income. The act also aims to control and supervise all financial activities by the state and guarantees financial institutions (Akçay & Güngen, 2016, pp. 29-30). There were no financial crises that occurred between 1948-1973 in definition of World Bank due to the limitation of financial activities and control of national currency by central banks in many countries after 1930, as the most important feature of this structure (Bienfeld, 2009, p. 43). In 1999 the abolition of Glass-Stegall act released the shadow banking to grow, which allowed financial institutions to create securitizations of debts, tools for transferring it to future, fictitious values, their derivative markets and many other “financial innovations”. These innovations gave opportunity to the banks to generate profit beyond fees, commissions, and proprietary trading.

According to Akçay and Gürgen, the US financial system of the 2000s developed based on this mechanism which resulted in four significant changes (Akçay & Güngen, 2016, p. 34). Firstly, the shadow banking, traditional banking, credit rating agencies and insurance enterprises were integrated. Secondly, the consolidated financial institutions integrated long-term pensions and savings as the financial instruments around the world. Thirdly, the individual borrower and individual investor became attached. And lastly the housing market was integrated with financial structure.

This fragile structure revealed its vulnerability in 2008 crisis. 2008 financial crisis began as a liquidity-shortage in the inter-bank money market in August 2007 and turned into solvency crisis. The reason was that banks obligated other financial institutions due to their massive amounts of mortgage-backed securities. When mortgage-failures started, securities became less worthy and hard to sell which brought questions of banks’ ability to pay. Banks preferred to hold liquid-funds instead of lending to other banks which initiated liquidity-shortages. The short of liquidity was not a new phenomenon. According to Lapavistas, “In financial crises, money becomes paramount: the capitalist economy might be replete with value, but only value in the form of money will do, and that is typically not forthcoming due to hoarding” (Lapavistas, 2012, p. 22). FED implemented additional measurements through “open market operations” by lowering interest rates.

Figure 1.2. shows the percentage of cross-border direct investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise in another economy. In figure 1.2., the trend of world indicates the constant increase of financial market integration which resulted in the spread of 2008 crises to the entire world economy. World

economy experienced 1.7% economic recession during the crisis.[4] The percentage of economic recession increased to 4.3% in European Union.[5] The shortage of credit market and economic recession caused credit cycle problems for countries with high public debt like Greece, Italy and Spain (Akçay & Güngen, 2016). Correspondingly, the banks of other EU countries which had bonds in these countries were affected. The public debt differed in the Euro crises from the one in the USA and showed the consequences for the integration of financial markets. Moreover, the 2008 collapse showed unification of national financial markets and monetary systems and financial depth. However, the measurements toward crises did not aim to restrain financial system but eliminating fragility of financial system before it became a systematic risk.

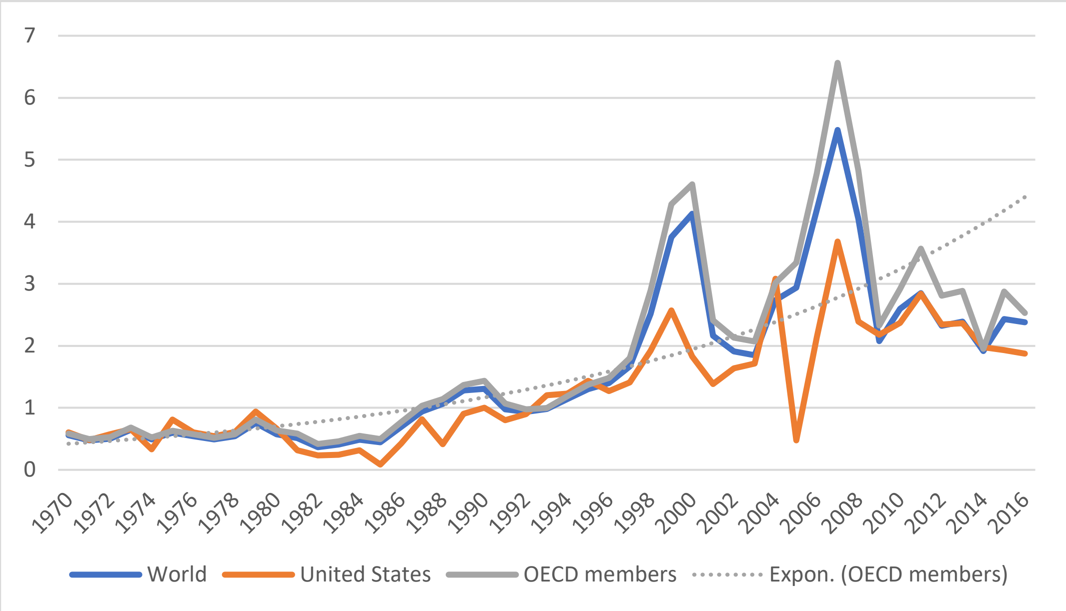
In brief, lowering control on the globalization of capital, deregulation of finance, containment of social wages, reducing state social expenses, promoting states own financial products and at last rescuing finance during the crisis restructured the new period of capitalism. Financialization was the steam engine of this period like the actual steam engine starting the industrial revolution. Finance reshaped the activities of fundamental agents of capitalist accumulation including non-financial corporations, banks and workers, which resulted in new forms of profit making (Lapavitsas, 2013, p. 800). The money became unattached from the production. The non-financial firms started to profit from finance, thus, finance started to be beyond money lending of banks to industrialists.

In this process of financialization, the value of shareholders formed a new business management, derivative markets and securitization increased; and financial crises became more frequent. All these changes shaped the social context, but the financial inclusion of individuals was the most significant change in this context. According to Lapavistas, financial inclusion of individuals was launched by banks through handling the personal revenue of workers and others as a source

[4]https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG, 03.09.2017
[5]http://databank.worldbank.org/data/reports.aspx?source=2&series=NY.GDP.MKTP.KD.ZG&country= ,03.9.2017

of profit and focusing on financial market mediation increasingly acquired investment banking functions (Lapavistas, 2012).

Figure 1.2. Foreign Direct Investment, Net Outflows (% of GDP)

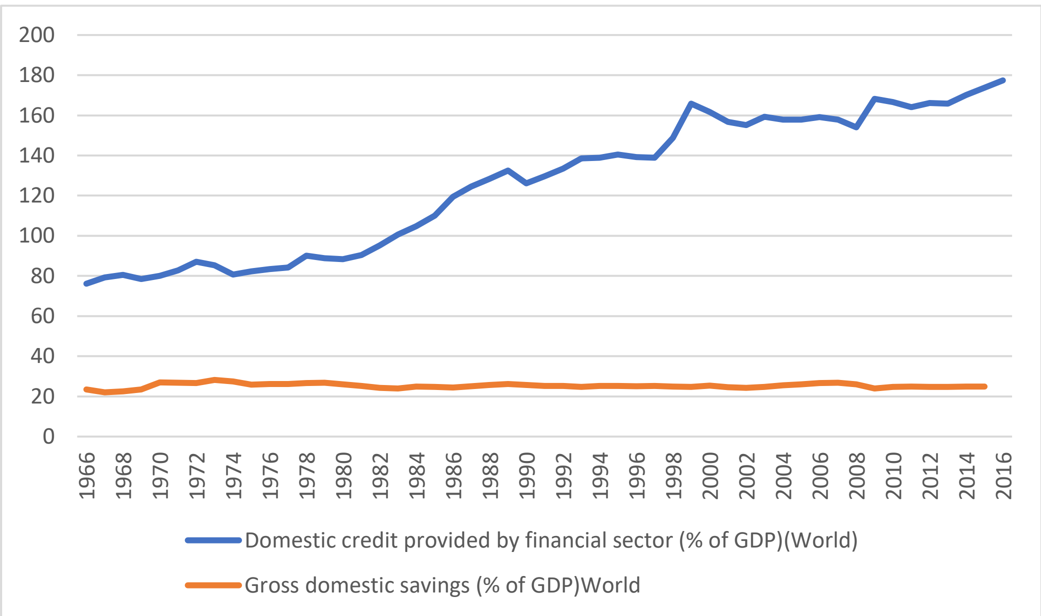


Source: (World Bank, 2018), http://data.worldbank.org

Commercial banks have been transformed after the financial deregulation of the late 1960s and have been started to adopt investment banking functions. These functions allowed commercial banks to use individual savings accounts and pension savings in stock market for investments. Personal revenues started to be a source of profit for banks, which encourage them to produce financial products targeting individual income. Like every product, financial services aimed to fulfill needs, which transformed to housing, commercial, health, education credits. Even the need of cash became a product, what created the credit cards. However, for eligibility, the focus of banks changed "from 'soft', 'relational' methods towards 'hard', statistically-driven techniques" (Lapavistas, 2012, p. 42). The banks adopted a credit-scoring, which based on collecting individual's numerical information like income, age, assets to produce an individual score for eligibility criteria for receiving a credit. However, for individuals who need to meet its requirements for basic needs, the need is not considered as criteria for credit.

The fundamental trend of past 20 years was the inclusion of workers into finance, which was in order to supply the basic needs of housing, health, education, etc. for individuals. If we go back to the beginning, it dictated the dependence of the money on the abolition of the nanny state that meets basic needs for individuals. Individuals’ dependence and accessibility on money started to determine fulfilling basic needs. Figure 1.3. shows the domestic credit provided by the financial sector (% of GDP) and gross domestic saving (% of GDP) of the world. The domestic debt increased more in proportion to savings which reflected the inclusion of individuals into financial system and changed purchasing habits. Financial inclusion increased accessibility to financial products and created a purchase option through debt instead of saving for purchasing which resulted in saving collapse. Monetarism canalized possible future individuals’ income into financial system.

Figure 1.3. Domestic credit provided by financial sector (% of GDP) and Gross domestic saving (%of GDP) of World

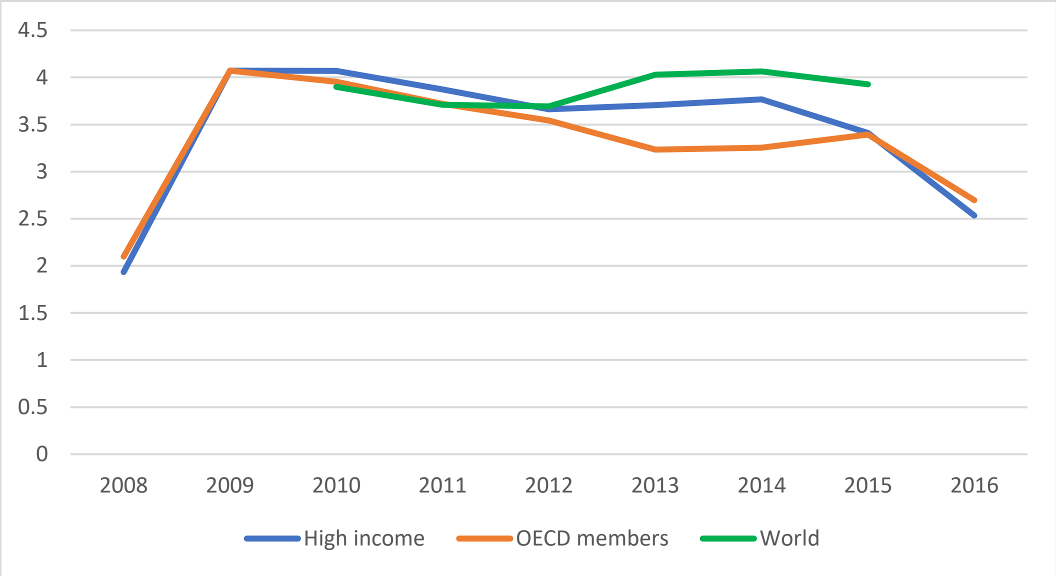


Source: (World Bank, 2018), http://data.worldbank.org

Individuals aim to obtain values and use them in accordance with requirements while the enterprises focus on the expansion of value, which differs their financial actions (Lapavistas, 2012, p. 33). Besides, the financial system offers a wide range opportunity for those who want to expand their value depending on its extent. However, individuals are motivated by different objectives, motives, information and access to alternatives which is fulfilling basic needs with limited sources. “Without a doubt, some of the most important changes experienced by capital in last three decades correspond to both waged and unwaged labor” (Camacho & Nieto, 2012, p. 162).

Transformation in production technologies and expansion of flexible forms of employment resulted in worsening conditions of social security, layoffs, retirement, a gap between increase rate of prices and wages and a decline in labor union membership. As a consequence, the options to replace financial mechanisms for individuals are restricted (Lapavistas, 2012). Besides, financial system also specifically structured to create financial products in order to continue the inclusion and to restrain alternative mechanisms. For example, debt restructuring allows paying debts without having difficulty to fulfill the obligations through postponing, which eases the liquidity and provides purchasing power (Bonefeld & Holloway, 2007). In Figure 1.4. the rate of non-performing loans, which reveals the dependency on credit, is shown. Despite the fact that the non-performing loans were more than total loans in past eight years, which paved the way for the financial inclusion to be continued.

Figure 1.4: Bank Nonperforming Loans to Total Gross Loans (%)

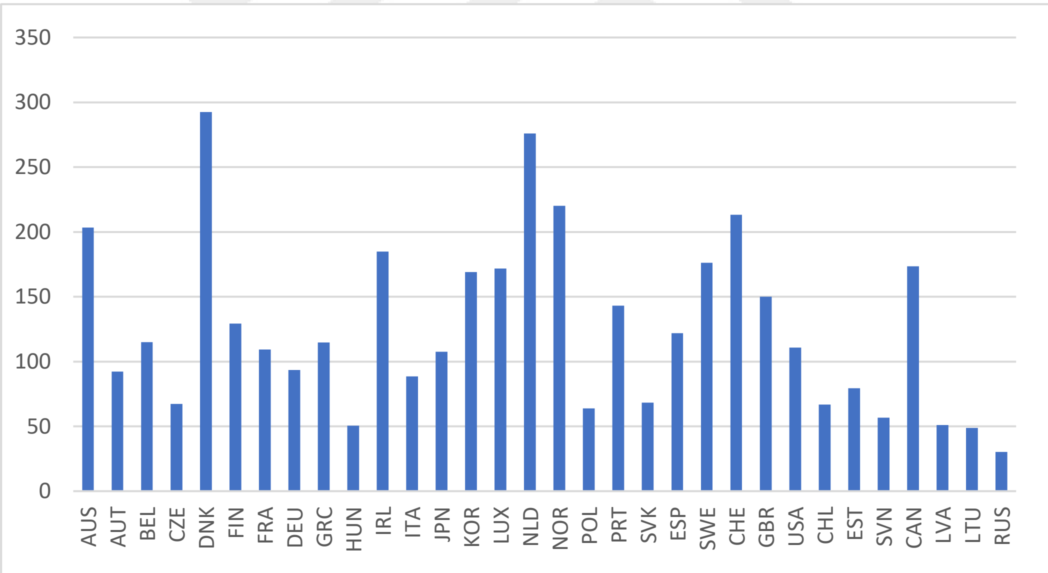


Source: (World Bank, 2018), http://data.worldbank.org

As a result, financial inclusion became financial exploitation because individuals do not have a coping mechanism against financial inclusion. Financial exploitation is a recent phenomenon that should be distinguished from the surplus value absorbed by real production because it is "an additional source of profit that originates in the sphere of circulation" (Lapavistas, 2012, p. 131). The crucial point is that the sphere of circulation has never had a role as a profit generation. After the abolition of clear distinction between commercial and investment banks, the individual incomes started to be used as capital for investment banks. Not just individual incomes but future incomes like upcoming salaries, pensions, liabilities of debts became capital for financial exploitation as well. "Through asset-backed securitization (ABS), for instance, these creditors offset the risks involved in lending to the poor (e.g., the high probability of defaults) by repackaging and reselling loans to other investors, such as pension funds, in the 'digitalized spaces' of global financial markets (Sassen, 2006, 2009)" as cited in (Soederberg, 2014, p. 37).

Beyond financial transactions and fees, securitization and derivatization of other financial product extract profit from the circulation of surplus value of individual. Besides, individuals and households transformed into a source of profit independently of their "worker" status, which differs financial exploitation from extraction of surplus value as well. Moreover, the risk also became another financial product which encouraged banks for making more profit and expanding credit options to poor, who were financially excluded earlier. Figure 1.5. shows the total household debt and net disposable income ratio of thirty-two countries in 2015. The graph presents the households in countries which were indebted in more considerable extent in comparison with their income that were mostly high-income countries who have more sources to grant credit to poor.

Figure 1.5. Household Debt, Total % of Net Disposable Income, 2015



Source: (Organisation for Economic Co-operation and Development, 2018), https://data.oecd.org/

Above all instruments of financial exploitation, the credit has a unique role. Firstly, according to Itoh and Lapavistas, the credit system places the idle money funds into the circulation and transform them into interest-bearing capital and reinclude them into the capital accumulation process (Itoh & Lapavistas, 1999). Extraction of interest and fees from loans created a sphere of circulation which differs credit from exploitation through surplus extraction. In order to repay the loan or to make minimum payments workers must use part of their income or savings which are reincluded into the capital accumulation. “While some workers are no longer in the realm of production (e.g., those in the low-wage service sector), consumer credit plays an important role in reproducing the labor supply, which is crucial for capital accumulation” (Soederberg, 2014, p. 37). Secondly, individuals use consumer credit to fulfill basic needs. Besides, the credit has mostly name to needs like education, house, health credit and individuals apply according to their requirements. Thirdly, the credit is created specifically for an individual and is granted based on the credit rating of the individual. So, the credit creates a social relation between creditor and debtor which is different from direct forms of domination between employer and employee. Moreover, the formalized abstractions like interest rate, credit rating, fees alter the relation between those.

The financial exploitation through credit has many aspects because “credit serves to absorb the contradictions in the dynamics of capital accumulation” (Soederberg, 2014, p. 11), but this thesis focuses on credit as one of absorption instrument of neoliberalism. Credit has been used as a purchasing power and wealth creator by neoliberal governmentality to manufacture consent. Indebtedness serves as an instrument to discipline time, consumption and demand. The following chapter will discuss the social cost of credit and indebtedness as a legitimation strategy and disciplinary method of neoliberal governmentality, through using the theoretical background of Michel Foucault. Additionally, the approaches of Maurizio Lazzarato and Susan Soederberg towards debt are adopted to understand social cost of indebtedness.

1.2. Social Cost of Credit and Indebtedness

According to Antonio Gramsci, the way of achieving political power is firstly based on seizing the cultural power (Örs, 2013, p. 22). The intellectual class creates institutions of common interest and idea, which has a role in building the hegemony and securing legitimation of political power.

> "The "spontaneous" consent given by the great masses of the population to the general direction imposed on social life by the dominant fundamental group; this consent is "historically" caused by the prestige (and consequent confidence) which the dominant group enjoys because of its position and function in the world of production." (Gramsci, 1999, p. 145).

Robert Cox applies the concept of hegemony into international relations and argues that the hegemony expands a mode of production internationally and projects itself through the level of world order (Bieler & Morton, 2016).

Neoliberalism developed in the late 19th and early 20th centuries from debates between German and Austrian economists. Ludwig von Mises is seen as the true founder of neoliberalism (Panitch & Gindin, 2012, p. 79). Von Mises believed that all social phenomena are originated from unplanned choices made by rational individuals whose interests are harmonized by market forces. "This philosophy of laissez-faire together with the theories about the market process, money, interest rates and cycles, justifies von Mises's conception of freedom" (Panitch & Gindin, 2012, p. 79). From Von Mises's student Friedrich von Hayek's point of view, economic agents cannot predict the consequences of their actions, and only the price system can coordinate the whole economy (Panitch & Gindin, 2012, p. 80).

The theory of human capital, which was generated by Chicago school, focused on analysis of the human actions and its rationality. The skills of human capital were enlarged beyond the formal education and professional life. Additionally, the economic analysis of marginal utility, which idealizes the transfer of the scarce resources to alternative aims for maximum profit applied to non-economic areas. In 1974, Milton Friedman, who was a colleague of von Hayek's at University of Chicago, was awarded to Nobel Price of Economics (note that the economics prize is awarded by the Bank of Sweden and not by the Nobel Foundation) (Panitch & Gindin, 2012, p. 83). Definition of neoliberalism in this context is well elaborated by David Harvey as:

> "theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free market and free trade" (Harvey, 2005, p. 2).

During the 1960s and early 1970s, the world witnessed mass protests such as student occupations, massive antiwar mobilizations, radical black movements and hippies against consumerism. "Right-wing and even centrist sections of the elite blamed all this radicalism on a soft-hearted Keynesianism manifested in the nanny state (that is the state that looked after people, no matter what their preferences)" (Panitch & Gindin, 2012, p. 77). Margaret Thatcher and Ronald Reagan appeared in the political scene, along with their appetite to attack. Neoliberalism did not just limit itself into borders of economic policy but instead became hegemonic. Hayek and Friedman grew as the organic intellectuals, who build neoliberalism as hegemonic ideology which settles market into the base of every activity and social phenomenon. Neoliberalism also promoted a particular production method and globalism with introducing free trade, convertibility, and structural adjustment loans. The middle-income countries had to accept the structural adjustment policies as a condition for debt restructuring (Kazgan, 2005, p. 192).

According to David Harvey, neoliberalism should be understood as a political project which aims to reorganize international capitalism and regain the conditions for capital accumulation through returning power to economic elites (Harvey, 2005). "The concept of hegemony helps us to understand such things as institutional context, the role of social and class forces, how particular interests are represented and how political projects are constructed. The concept of governmentality is much better at showing us the specific techniques and technologies of power" (Joseph, 2014, p. 14). The classes of Michel Foucault between 1978-1979 analyzed neoliberalism by describing this notion to be a concept of governmentality (Foucault M. , 2008).

> "I would like to determine the way in which the domain of the practice of government, with its different objects, general roles, and overall objectives, was established so as to govern in the best possible way. In short, we could call this the study of the rationalization of governmental practice in the exercise of political sovereignty" (Foucault M. , 2008, p. 2).

The focus of Foucault understanding of power is production of truth, and he defines the history as a history of knowledge. According to him, each governmentality has a truth. Beyond governments or institutions, governmentality applies a certain truth and governs accordingly through state and individuals. Governmentality produces techniques based on the truth which individuals apply themselves without any force or repression. These techniques are rational and calculated intervention methods which called dispositive (Gürkan, 2015). They develop power relations and shape the knowledge based on the regime of truth of certain governmentality.

The market became the regime of truth of neoliberal governmentality. The previously used liberal economic theory, which promoted market as an only natural mechanism of economics, applied to the political and social context. Laissez-faire notion replaced to the promotion of state as the protector of market, which differentiated neoliberal governmentality (Foucault M. , 2008). Free market became the target which acknowledged as an achievement of agelong efforts. Thus, pure competition, which was the founder of free market, started to be the aim of the politics rather than an element of politics. Hence, governing despite the market transformed into governing for the market. It is accepted that competition, as the essence of the market, can be produced only by governance. Free market is often described as basis of the freedom by the laissez-faire notion. However, new governmentality did not establish the freedom, it rather calculated the cost and chose the marginally utilized one.

The new regime of truth was imposed through competition, company approach, and individualism. These three notions were not applied one after another, but they supported each other. More precisely, the primary aim of neoliberalism was realizing oneself and promoting individual works for the company, since everyone works for their benefit. In this way, the companies have removed all kinds of distances for its employees, which also eliminated the alienation of producers from production. The individual must work for his own efficiency, and work for the spread of his own efforts (Dardot & Laval, 2012). The same rhetoric is used by state, company school, media, etc. with different slogans like self-realization, desire to achieve, and guidance, strong empowerment. With the creation of the work as a field of freedom, it became possible to define the self as the company. The individual realizes himself by linking individual aspirations with company excellence goals.

The new entrepreneurship praises the self-creating human being, exalts power, success. Work is the ground of self-realization, and professional success makes life victorious. A victorious life is achieved by taking the necessary risks and its responsibility. The definition of "being successful" was changed and the market validation became the success criteria, which used to be criteria for companies only. Everything that an individual has done, learned, and has succeeded or not succeeded was kind of an investment in his own company. S/he was the capital of his own company, which s/he has been establishing since s/he was born. In this context, the individual is the only provider of his/her life, and s/he competes with others because of the scarce resources.

Constant promotion of competition, as an only progression method, created an individual, which was neutralized towards all collective attitudes and the memory of the collective struggles (Lazzarato, 2011, p. 114). All forms of social solidarity were to be dissolved in favor of individualism, private property, personal responsibility and family values. The subjects must now be able to monetize their preferences in a world of scarce resources (Dardot & Laval, 2012). Taking necessary risks was glamorized and individualized. However, negative consequences only affect the individual, since s/he must take responsibility for the negative consequence resulted in the market. Constant monitoring of markets, buying or selling foreign exchange, gold or stocks and trying to invest in future (premises of retirement or any problems regarding earning a wage) shows how neoliberal governmentality shaped individuals' behavior. The decisions of individuals started to be formed based on market validation.

Through social and redistribution policies, welfare state interfered to the market and corrected the destruction of the market on society. However, neoliberal governmentality acknowledged market as a perfect mechanism and tried to achieve the "free market". The role of the state changed into a mechanism which created and guaranteed an institutional framework for market to be the validation mechanism. For example, the state started to guarantee the quality and integrity of money. A neoliberal government has two major instruments: fiscal and financial policy; in other words, monetary policy (Kaya, 2011). Through fiscal policy, government and other state institutions regulate state budget by deciding the amount to spend on each public service like education, health, infrastructure, security. The new regime of truth tied the success of political actors to "business performance", too. Economic growth, inflation, current account deficit became the indicators which determine whether the governments succeed. However, these indicators did not directly affect the prosperity of the people and the distribution of wealth.

The welfare and risk became individuals own burden which dissolves the contract between state and individual citizen and dissolution of right base policies of social, poverty and unemployment (Kleinman, 2013). On the other side, this stand holds the parents of students, unemployed, sick, university students and many others that were provided by welfare state responsible for their own conditions. Now in case free public education or health is inadequate, burden of expense or borrowing for benefiting from private education and health services are individuals' own responsibility because the private services become the preferred "product" and individuals are expected to act "rational" and calculate the marginal utility (Dardot & Laval, 2012). Moreover, nobody questions the inadequacy of free public services because market regime of truth has already acknowledged them as invalid. The poor started to be accused of being "picky" "lazy", "irrational". "Failure of finding a job" is now defined to be individuals' own failure because of the responsibility to be valid in market. Poverty and unemployment policies were started to be defined as market intervention by state which contradicts the new regime of truth.

Financial policy regulates financial market through open market operations, issuing money, setting interest rates or credit allowances of banks in order to achieve price stability and control of inflation. The promotion of "rational individual" changed the cultural, moral and intellectual contexts which legitimate the neoliberal government to transform nanny state into the protector of free market. The reorganization of labor market achieved through wage flexibility and labor market flexibility which was introduced as a coping mechanism with the economic stagnation and local unemployment. One of the reasons of continuous accumulation of financial capital despite the financial crisis is the vastness of opportunities that financial accumulation offers to states (Gürkan, 2015). Credit expansion is one of the opportunities which are used by state as a purchasing power generator. Hegemony of neoliberalism allowed neoliberal government to cut the social expenses extremely and reorganize the labor market. The consumer credits used for increasing purchasing power and generating wealth in the absence of social expenses and unemployment policies. "Debtfarism imposes market discipline while actively reconstructing and normalizing the growing dependency of the surplus population on high-priced credit to subsidize their basic subsistence needs." (Soederberg, 2014, p. 46).

The increase of individual borrowing changed this perception and raised the demand of economic stability from the political mechanism in line with individuals linking their faith to the operation of the market. For example, the increase in interest rates started to affect individuals' living conditions directly. The political success shifted from prospering lives to economic success of state that decided by the market itself. Inclusion of finance created political consent for neoliberal government to be the protector of market, nothing else. However, inclusion of finance does not only create purchasing power for neoliberal government, but also indebtedness. In neoliberal governmentality, indebtedness operates as a dispositive, which exercised neither through repression nor ideology. "The debtor is 'free', but his actions, his behavior, are confined to the limits defined by the debt he has entered into" (Lazzarato, 2011, p. 31). The relation between creditor and debtor constitutes a specific relation since ancient times, however "capitalism reinvents at the economic level: the movement of capital as the self-generated movement of value, of money that makes money, and which, thanks to debt, expands beyond its limit" (Lazzarato, 2011, p. 79).

The possibility of borrowing created an option of wealth for households whose income does not increase as rapidly as their consumption. In other words, large segments of society obtained an opportunity to consume more than their budget. On the other hand, the debt became a necessity to survival in lack of public services, poverty, and unemployment policies. "The social safety net has passed from a system of welfare to one of debt-fare, as loans become the primary' means to meet social needs" (Hardt & Negri, 2012, p. 10). Credit is promoted just like any other product in market chosen by the rational individual to fulfill his needs. Earning enough money for fulfilling needs is the responsibility of the individual for successfully acquiring the sense of well-being. Fulfilling needs through debt means spending future incomes and in case of earning the same income or lower income is resulted in a spiral of debt.

However, being in need does not generate points for credit rating. From the eyes of the creditor, the debtor is a number and anonymous which "safeguards the illusions of market freedoms and equality to ensure that all consumers may benefit from standards of fairness, competition, transparency, and accountability" (Soederberg, 2014, p. 61). Credit rating agencies calculate the cost of individuals in case of defaults on one's payments. Individuals are rated based on their private properties, incomes etc. like a company which to be invested in. “Bank credits are granted on the basis of a personal application, following review, after information on the individual's life, behavior, and modes of existence has been obtained” (Lazzarato, 2011, p. 131). In order to re-apply to take out a loan, individuals have to keep their credit score high, in other words valid, according to market.

The development of loan money surpasses the deflationary boundaries of the production-dependent meta-money. The loan played a critical role in the breakdown of the old molds of the capitalist economy and in the acceleration of capital accumulation. The consumption started to be based on credit instead of money. Savings before spending changed the notion of consumption and demand. Credit card and credits allowed to spend without any restrictions of present money that created a consumption society. Besides, promise to pay and commodification of this promise dissolves the dependency to space and time. The debt became a product, which can be bought and sold. Indebtedness creates new power relations which control the future of debtor’s life.

The supervision, oppression, and discipline are implemented by the debtor his/herself, not by outside (Lazzarato, 2015, p. 58). After all the debtor has chosen to get credit, and as a rational individual, the debtor has the responsibility. During the refund period which may continue twenty or thirty years, the borrower has to organize his/her life for the purpose of repayment which can be resulted for example working in bad conditions without safety and security. “If you finish university in debt, you must accept the first paid position offered in order to honor your debt” (Hardt & Negri, 2012, p. 10). Education credit is promoted as an investment in individuals’ own company, him/herself. Because of the indebtedness and lack of social safety net workers endure the precarious working conditions. Debt builds bridges between the present and the future and claims wages and revenues of the future.

“The power of debt leaves you free, and it encourages you and pushes you to act in such a way that you are able to honor your debts” (Lazzarato, 2011, p. 31). Nobody forces individual to pay debts, of course, there are laws and regulations for this. However, the only real pursue to pay is coming from the individuals’ own self in order to secure credit rating and consumption. “Debt directly entails life discipline and a way of life that requires "work on the self," a permanent negotiation with oneself, a specific form of subjectivity: that of the indebted man” (Lazzarato, 2011, p. 104). In competitive society, individual is responsible for fulfilling his/her own needs, success and happiness and s/he does not own anything to anyone.

The virtues of neoliberal governmentality such as individualism, entrepreneurship, risk-taking, company approach emerge in indebted man who organizes his life according to the payment of debt. Since the indebted man prioritizes debt payment, he acts in private and public sphere accordingly, which includes choices in politics, lifestyle, employment, relations with friends and family. The debt served as dispositive of neoliberal governmentality. While the borrowing capacities offer purchasing power and compensation to social policies, finance became crucial for new capital accumulation model after the economic instability and crises of the early 1970s questioned the welfare state model. Neoliberalism embodied free market and competition as fundamentals of a strong economy and focused on reducing inflation rather than unemployment. During the time, the social policies and social safety nets dissolved, and neoliberal governmentality had to build consent among society. Although the neoliberal policies have been implementing since the late 1970s, the financialization and household inclusion are recent phenomena for Turkey. First concrete step towards financialization was taken in 1989. Debt as a dispositive became very useful in building market as the regime of truth in Turkey like in other countries. On the other hand, while Turkey as a state had been forced to adopt neoliberal policies as a condition for borrowing, the period of successful implementation of neoliberalism became successful through building indebtedness among society which is discussed in the following chapter.

2. CHAPTER FINANCIALIZATION OF TURKEY

2.1. Brief History of Indebtedness

The financialization of Turkey is also a history of articulation of the Turkish economy into the global economy. The most important milestones in the process of articulation into the global economy were the foreign trade agreement signed in 1838 with Baltalimanı Agreement, the foreign borrowing process initiated in 1854 after the Crimean War, and the concessions granted to foreign capital in the construction of railways since 1850 (Pamuk, 2007, p. 205). Starting from the first decade of the nineteenth century, European industrial products became dominant in the domestic market. The most obvious indicators of the semi-colonial nature of the Ottoman Empire were foreign borrowing, Düyun-u Umumiye, the increased chain of capitulations and widespread of foreign capital investments entering the country in search of permanent privileges (Boratav, 2003, p. 21). The capacity of Turkish bourgeoisies started to grow after the First World War, which limited foreign capital investment and the arrival of imports to the Ottoman Empire.

The new Republic of Turkey declared that the regulations of Düyun-u Umumiye were no longer recognized. In 1928, in accordance with the Treaty of Lausanne, an agreement was signed concerning how payments would have been made. The Turkey Foreign Debt Commission was founded in Paris in order to regulate payments. The agreement also specified the import/export and customs regime for five years which resulted in integration to international economy through free trade and an open door environment (Boratav, 2003, p. 61), in exchange for postponing the payment of Ottoman debt for five years (Boratav, 2003, p. 44). The payment of foreign debt of the Ottoman Empire was completed on 25.05.1954. The first foreign borrowing of Republic of Turkey was made in 1933 for railroad construction. In the following years loans were also used mainly for infrastructure investments, and then in the Second World War the national defense costs were covered through foreign borrowing. In later periods, borrowings were mostly used to close budget deficits.

In 1946 Turkey began to change the closed protective economic policy. Imports were liberalized to a large extent and external deficits started to become chronic. Therefore, the economic structure proceeded to become dependent on foreign aid, credit and foreign capital investments. Although Turkey had a trade surplus in 1946, foreign investment and foreign borrowing were sought, which was acknowledged as the only method for development (Boratav, 2003, p. 101). Turkey started to receive help in line with the Marshall Plan and put foreign investment laws into force.

Between 1954-61 the liberal trade policy ended due to the unsustainable external deficit which made it difficult to find foreign aid and credit (Boratav, 2003, p. 112). Regulations and trade controls started to be implemented again and an import substitution strategy was adopted. However, the budget deficit, external debt and the low value of the Turkish Lira resulted in acceptance of eliminating National Protection Law, loosening price and trade controls as well as tightening the public budget as IMF instructed in 1958. In return, 600-million-dollar foreign debt postponed and 359-million-dollar credit was provided (Boratav, 2003, p. 113).

The international Keynesian politics allowed developing countries like Turkey to fund their deficit, which contributed to growth of the world economy. Turkey constantly increased real wages along with its budget deficit and devaluation of the Turkish Lira while financing them through foreign borrowing. The economic growth and integration into the international economy in the past 200 years was constructed through external borrowing and implementation of economic policies which were the conditions of foreign creditors. Between 1946-2006 Turkey signed 20 Stand-By Agreements with IMF (Boratav, 2012, p. 18).

In late 1970s Turkey started to face economic crises and in line with world economic policy changes, the neoliberal policies started to be offered as a cure to Turkish economic crises. Besides like other developing countries loans were granted on condition to adaptation of structural changes and adjustments as IMF instructed. The policies for structural changes in economy affected all aspects of social and economic life and became the most important transformation of Turkish economic policymaking. As a developing country, Turkey experienced neoliberal transformation differently. This chapter will explain the story of neoliberalism and financial liberalization of Turkey. The crucial point is that Turkey has a long history of social movements which resulted in great achievements. These social movements were mainly based on economic demands which were accomplished through mass strikes or protests.

Until 2002, the neoliberal policies faced some political and social struggles such as massive labor demonstrations of 1989 and the miner strikes in the following years. While telling the story of adaptation of neoliberal policies, the struggles against them is high lightened in order to show how the number of struggles decreased in time. This decrease indicates legitimization of neoliberal policies, which were achieved through purchasing power generation with social aid or increased borrowing capacities for households. The increased borrowing glows in the history of financialization of Turkey, which is explained in parallel with neoliberal policies since the result of neoliberal programs has been the global financialization of capital. Moreover, the concepts and framework of Michel Foucault provided a useful toolkit to analyze the role and capacities of the state in Turkish society.

The installation of neoliberalism is explored in three sub-periods. The first period is the coup d'état of September 12, 1980 and following military regime, which established neoliberal policies through re-structuring and oppressing class-based power relations and building the authoritarian state form (Akça, 2014), and continued with Motherland's Party rule in a struggle with new neoliberal economic agenda and populism. The 1990s are discussed as the third period, which includes economic and political hegemony crises with 13 coalition governments. Lastly, since 2002, the neoliberal polices successfully implemented though Justice and

Development Party through neoliberal, conservative and authoritarian populism (Akça, 2014).

2.2. 1980s: Transition to Neoliberalism

Between 1960s and 1970s the capital accumulation strategy of Turkey aimed to improve Turkish local industry through channeling capital according to their needs. The interest rates, credit limits and exchange rates were regulated by the state to meet the needs of local industry (Karaçimen, 2015). The state had played the role of mediator between capital and labor. Labor was the prime determinant of real wages and salary increase rates during inflation spikes by leveraging collective agreements, extensive strikes and union rights while the capitalist classes were benefiting from the low interest rates, foreign exchange and trade controls (Boratav, 2003).

After 1974, Turkey reacted to the global economic recession and high oil prices through trying to enlarge export capacity and increase economic growth with short-term borrowing, which allowed Turkey to postpone the economic crises. However, at the end of 1977, it was resulted in running out of credit channels and compulsory prepayment of every imported item, even oil (Boratav, 2003). The 1977 depression revealed the problems that the import substitution capital accumulation strategy was facing, which could not be postponed any more. New technocrat Turgut Özal was assigned to prepare an economic program. At the end of 1979, a report for reasons and justification of 24 January Decisions was presented by Turgut Özal and the report states that the collapse of the economy might be caused by Turkey’s lack of export capacity due to the high wages. Therefore, the wages should be disciplined (Boratav, 2003).

The 24 January Decisions included devaluation, dissolution of price controls and subsidies on basic goods, encouragement of exportation through tax return and cheap credit and steps towards liberalization of importation which were not different than any other standard stabilization and structural adjustment programs that IMF and World Bank recommended other developing countries (Boratav, 2003). However, the neoliberal governmentality had not formed hegemony yet and did not have specific techniques and dispositive to shape society. The political gains of labor had to be destroyed permanently. Both 24 January and 12 September were the products of the strategy to overcome the crises of capital accumulation regime. 24 January was a plan to replace the old plan based economic policy. 12 September was an act of force to dissolve the progressed social movements (Savran, 2011, p. 185).

The 12 September process had already started in 1978 (Akça, 2014, p. 15). During the 1970s, the militarization of the political sphere had been increasing, while the political struggle of the working class and radical leftist movements became intense. From the end of 1978, the major cities were already governed by martial law administration (Akça, 2014, p. 15). Since the political struggle of the working class was perceived by the new regime as primarily responsible for crises and ongoing violence, "all basic and political rights and freedoms were undermined by legal terms open to arbitrary interpretation, such as 'the survival of the state', 'national security', 'public order' and 'public morality'" (Akça, 2014, p. 17). Labor unions were banned and its leaders were imprisoned. The strikes were banned and salary determination was assigned to the High Board of Arbitration and the collective contract mechanism was deactivated which secured the decrease in real wages (Boratav, 2003, p. 152).

Depoliticization of class identities was achieved through promotion of individualism. The military regime differentiated good workers, which were industrious, patriotic, that did not define themselves by class identity from bad workers, which were ideological and oriented towards class struggle (Akça, 2014, pp. 17-18). The powerful and articulated young movement also dissolved. The young people became careless to the country's problems and became hesitant about political participation, while they were and still are facing on one side the cultural glamour of consumption that globalization offers and on the other side difficulties to find a job (Şenses, 2004).

Turkish-Islamic Synthesis along with Kemalism without any historical background was promoted as the new official ideology and solution for all conflicts (Boratav, 2003). The military coup changed the political climate which was dominated by the unions and other labor associations. "Accompanying this eradication of the "old" politics was the emergence of a "new" one focused on identity, locality, consumerism, and a celebratory rhetoric of free choice" (Ozbay, Erol, Turem, & Terzioglu, 2016, p. 4). In an authoritarian atmosphere, without any economical identity-based struggle, neoliberal economics and its politics started to take root.

Motherland Party deepened neoliberal economic and social policies as single party government between 1983-1991 while military regime forcefully installed neoliberal policies. MP promoted export-oriented accumulation strategy through tax rebates and preferential loans and credits. As Turgut Özal underlined in the report for 24 January decisions, the export-oriented accumulation strategy was mainly dependent on reduction of labor cost. The real wages decreased 32% between 1978/79-1988 (Boratav, 2003, p. 166). Dissolution and loosing of the price control and subventions on basic consumption goods affected farmers and benefited commercial capital who trade agricultural goods (Boratav, 2003). Alongside with devaluation of the Turkish Lira and export incentive, the policies served to commercial capital rather than consumer and producer.

Although export volume increased, the external deficit proportion increased because the liberation of foreign trade and foreign exchange regime changed and eased importation. Further, the dependency on importation of intermediate goods and investment goods increased, which ended up in increased external debts. The chronic need of continuous and high foreign capital flows for economic growth started in these years. According to Boratav, the major success of the economic policy makers was not finding "suitable and right" economic policies for Turkey, but rather approved by international finance to provide debt for settling the deficit (Boratav, 2003, p. 162).

The neoliberal economics restructured public finance, public owned enterprises, private sector, financial sector, in short, every economic activity and regulation related to economic life of Turkey. However, finance was the most critical, which was very new to daily life. Financial liberation started on July 1980 with liberalization of credit and deposit accounts interest rates which resulted in financial chaos started by competition of interest rates of small banks and bankers (Boratav, 2003). The second major step was permission of currency trade in 1984 which allowed having foreign currency deposit accounts (Karaçimen, 2015). In 1985 public deficit started to be financed by flotation of treasury bills and government bonds. In 1986 interbank money market was established and the Central Bank started open market operations in 1987. After the 1980s the banking sector activities expanded and started to buy and sell government bonds, government debt securities and currencies in the market (Karaçimen, 2015). Additionally, consumer credits, credit cards, future, forward and other financial activities allowed banks to penetrate finance to daily life for the first time. The financial liberation created a very delicate system which allowed public finances to collapse because of interest rates of government bonds and treasury bills.

The state-owned enterprises fell behind the market obligations such as technological improvements and the shrink of financing by treasury resulted in financial shortages and problems. The Motherland Party acknowledged privatization within its program, however implementation of privatizations actualized after 1990s (Boratav, 2003). However, public finance started to be financed by government debt securities which were bought by private banks through borrowing foreign loans. So, the state started to borrow externally through private banks (Karaçimen, 2015).

The legitimacy and acceptance of these policies accomplished by hegemonic construction of market as raison d’état. The September 12 coup dissolved all mechanism that might have opposed these policies, however

Motherland Party installed a hegemonic project which generated consent. The hegemonic project had three main pillars; neoliberalism, conservatism and authoritarianism (Akça, 2014, p. 19). Just as other countries, Turkish new right presented market as magical instrument which solves every problem. Discourses, suggesting that the individual is prevented by the state from realizing itself, resulted in individualism and irrationality/ laziness of poor, which dissolves the need of the state to intervene and assist the poor.

The New Right's critique of the democratic and welfare state form was echoed in countries like Turkey in the form of criticizing the populist-developmentalist state (Akça, 2014, p. 19). The discourse of social aid and policies being a citizenship right changed and it was rejected as a responsibility of the state but rather became almsgiving with Islamic references. The social policies were based on volunteer work and charity from the rich part of the society. Motherland Party's Fund for the Encouragement of Social Cooperation and Solidarity (Fakir-fukara Fonu/Fakfuk Fon) started to distribute social aid from the donations as a charitable foundation (Buğra, 2013).

As September 12 coup already established Turkish-Islamic Synthesis as harmonic component of society, MP enlarged this discourse to "manufacturing consent on the part of the masses regarding the promise that it could be possible for them to benefit from the material gains of modernization while preserving their identity (Taskın 2008: 54–55) as cited in (Akça, 2014, p. 20). The political discourse emphasizing nation, religion and family became a curial strategy of MP's conservative modernization, which allowed MP to mobilize various religious communities and integrate them into its hegemonic project (Akça, 2014, p. 20).

MP succeeded to mobilize and gain consent from religious conservative groups as well as the bourgeoisie and secular urban middle classes (Akça, 2014, p. 21). The export-oriented industrialization strategy, trade liberalization, post-1989 financial liberalization, IMF guided economic stabilization measures, and the disciplining of the working class were applauded loudly by the bourgeoisie. As banking, export/import, advertising, media and various services emerged, the white-collar labor differentiated itself from middle class and classic labor, which resulted in new consumption patterns, class division and dissolution of labor politics.

Neo-liberalization required both politically and economically the construction of a neoliberal market-based populist culture of differentiated consumerism and individual libertarianism (Harvey, 2005, p. 42). MP built neoliberal market-based culture through dissolution of labor politics, promotion of individual success stories, young executives (which Özal called princes) and emergence of white-collar jobs. On the other hand, the Turkish-Sunni Muslim identity and conservative modernization discourse successfully gained the consent of a specific section of the medium-scale, export-oriented bourgeoisie and urban middle class, which defined themselves by their religious identity (Akça, 2014, p. 22). The identity politics granted the MP as the individual libertarianism notion of neo-liberalization and manufactured an urban and market-oriented social base. Nevertheless, the hegemonic project was not able to gain consent from workers, peasants, civil servants, the new urban and rural poor, trade unions, leftists, Kurds and Alevis, which appeared in both electoral results and organized working-class activity, such as the 1989 spring protests and the strike by Zonguldak mine workers in 1990–91.

2.3. 1990s: The Lost Years

At the dawn of the 1987 plebiscite that allowed the return of previously banned politicians to the political arena, Demirel, Erbakan, Türkeş and Ecevit dominated the MP and Özal hegemony. This resulted in a rise in populist promises and policies. According to Boratav, both the labor movements of 1989 and MP losing a substantial number of votes in the local elections have led to change in terms of policies. (Boratav, 2003, p. 175). The six-hundred thousand public sector workers rose to protest wages and labor rights, which later spread to the steel industry with the start of Zonguldak strikes, a total of 1.5 million workers. These strikes caused the abandonment of austerity policies and supported the adoption of populism. This shift achieved the implementation of a 142% wage increase in the public sector as well as a substantial increase in the private sector. The resulting high salary costs caused a crises in State Economic Enterprises. This was further exacerbated by the fact that in previous terms the treasury had already withdrawn its support, paralyzing growth and modernization.

As their income became sufficient only to finance expenses, SEEs were unable to make profit. At the time, other populist policies included writing off agriculture credits, tax debts and social insurance premium debts. Public sector borrowing requirements jumped from 5% to 12% of national income in between 1989-1993 (Boratav, 2003, p. 179). Interest obligations were now being paid through new debts. The act of financing public budget deficits through debts resulted in shortening payment periods and the increasing of domestic borrowing interest rates. In August 1989, Turkey changed the Law Regarding the Protection of the Value of Turkish Currency, dismissing exchange rate control regulations that prevented national capital from being fled abroad. In the beginning of the year 1990, the Turkish Lira became fully convertible as per IMF instructions (Boratav, 2003, p. 180).

The Lira's convertibility was crucial in order for it to be financialized as it removed the restrictions on the flow of both Turkish and foreign capital in and out of Turkey. (Yeldan, 2011, p. 127). A fixed exchange rate system allowed Central Bank to determine the value of Lira against the U.S. Dollar on a daily basis and the state to control reserves and interest rates. Convertibility was the key for international capital to flow into the country, which was introduced by IMF to many countries with financial debt. As the state lost control over capital flows, high interest rates facilitated the flow of international capital to Turkey.

Private investment grew rapidly during this period. This was partly due to the anticipation of Turkey's entry in the EU customs union in 1995. In 1992 the treasury started selling state bonds to banks financed by foreign loans. These bonds were marketed to the internal market through banks. Foreign loans were also financing more import, creating a current account deficit due to lower levels of export. Foreign exchange flows appreciated the Turkish Lira while decreasing export profitability and costs of import. Moreover, the increase in salaries and access to consumer credit also expanded private consumption, consequentially increasing import. Between 1986 and 1992, real GDP grew at an average annual rate in excess of 5 percent, and was supported not only by the rapid growth of investment but also the flexible, export-oriented, liberalization of the economy. The appreciation of the Lira caused inflation to almost double, to seventy percent during this era.

After the passing of president Özal, Süleyman Demirel took the office. Tansu Çiller became prime minister during this period. She often emphasized the importance of lowering interest rates as part of short-term economic policy aims. She also stated that an annexed budget along with a new consolidation law permitting the cancellation of accumulated debts owed by the Treasury to the Central Bank would be implemented. Upon these statements, the government attempted to manage interest rates. The Treasury stopped auctioning government bonds until the end of 1993. The government simultaneously cancelled the Treasury's accumulated debt to the Central Bank in August of 1993 as the parliament approved an annexed budget. These actions allowed the treasury to borrow twice as much as the original amount. The risks became harder to avoid and Turkey's credit rating decreased. Foreign credit, the main source of financing government debt, economic growth and import became scarce. The expectation of currency depreciation and the modification of the exchange rate regime led people to rush to buy foreign currencies in order to prevent and mitigate excessive capital loss. The Lira depreciated and inflation increased to 118% (Boratav, 2003, p. 184). The economy shrank by 6.1% (Boratav, 2003, p. 183).

On April 5, the response policy package for economic crisis was introduced. The Economic Stabilization Program predominantly targeted cutting down public expenses, boosting public income to finance the budget deficit and, with structural changes, decreasing the state's role in the economy while increasing market competition. Although the rapid countermeasures that were put in place by the government were successful, the structural reforms were barely implemented. As an example, the privatization of State Meat and Fish Institution was cancelled due to backlash from the Islamist trade union Hak-İş and their political involvement. (Zürcher, 2004, p. 314) The political arena was dominated by the populist policies. As a result, unpopular policies such as changing the wage policy or taxation on luxury goods were postponed until the upcoming local elections. This was done in an effort to protect True Path Party and Social Democratic Populist Party from losing votes. The policy shifts between populism and neoliberalism demonstrates the hegemonic crises of 1990s among the society, in which none of the political actors formed any consent.

In 1997 the negotiations with the IMF for the Staff-Monitored Program was started by Democratic Left-Motherland Party coalition under presidency of Mesut Yılmaz. Mesut Yılmaz stated that "The Staff-monitored program will contribute the Turkish economy and enhance the capacity to find long-term borrowing. This is a commitment we give to the Turkish public, not a commitment to the IMF."[6] In 1998, the Staff-Monitored Program was signed for one and a half year which committed to continue with medium-term disinflation program with a Stand-by Agreement. The Staff Monitored Agreement specified fiscal and monetary targets for 1998 and 1999. Achieving 4% of GDP as primary surplus target and decreasing inflation to 20% were the most curial targets (Boratav, 2012, p. 19).

In addition to macroeconomic targets, Memorandum of Economic Policies committed to implement structural reforms in banking, public sector, arbitration, privatization and supporting agriculture. According to memorandum the government had to make legal changes in banking and social policies along with a constitutional change to permit arbitration. "Before the end of this year, we plan to sell share holdings in POAS, Turkish Airlines, Erdemir, and a number of other

[6] http://www.hurriyet.com.tr/ekonomi/19-maddeyle-imfnin-yakin-takibine-girdik-39026642, 20.05.2018

companies, with substantial additional sales scheduled in 1999. The Council of Ministers has given approval for the sale of 49 percent of Turk Telekom, a transaction that will be completed in 1999"[7] was stated in the Memorandum of Economic Policies.

With Staff-Monitored Agreement, Turkey accepted neo-liberalization of all economic and social institutions and the role in international economy that IMF, World Bank, World Trade Organization and other international financial rating institutions framed and casted for Turkey. The role has five key features; providing unlimited freedom, guarantees to capital, offering high financial returns to it as a result, creating a flexible labor market to offer low-labor cost to international capital and became a subcontractor, allowing import of intermediate goods in production and consumption and becoming a low-cost export heaven as a result, commercialization and privatization of public services and transforming "citizenship right" to "client" and building consent for neoliberal governmentality, which excluded democratic decision mechanisms from economic and strategic decisions, and framed into "independent" economic institutions like Banking Regulation and Supervision Agency or Free Market Board (Boratav, 2012, pp. 10-11).

However, it took five more years, two early elections and five governments to play this role, the government resigned in the fifth week of implementation of Staff-Monitored Agreement. Under the prime ministry of Bülent Ecevit, Democratic Left-Motherland-Nationalist Movement coalition government was formed after 1999 early elections. The new government program declared the continuation of the mid-term disinflation program endorsed by IMF and WB financial sources. Due to the early elections, the commitments and targets of the program were not achieved. The five major commitments -structural reforms in banking, public sector, arbitration, privatization and supporting agriculture- were decided to be implemented between July-December 1999 (Boratav, 2012, p. 20). In

[7] https://www.imf.org/external/np/loi/062698.htm, 20.05.2018

June, government started with the banking structure, founded the Banking Regulatory and Supervisory Agency, and dismissed the supervision role on banking system of Treasury. Constitution change for arbitration, new law for social security and abolishment of agriculture support were applied in July-December 1999. Transition to stand-by agreement occurred without implementation of privatization commitment which caused insufficient revenue for public finances.

The objective was to bring down the high double-digit inflation and interest rates in order to stimulate economic growth for both and reduce the burden of government debt (Ertürk, 2003, p. 191). With primary surplus and privatization revenue, internal debt was projected to decrease, and structural reforms aimed to shrink the public expenditure through transferring public services to the market. Privatizations were an important component of the program, which was expected to earn a revenue of 3.5% of GDP in 2000, 3.25% of GDP in 2001 and 2% of GDP in 2002 (Boratav, 2012, pp. 21-22). According to Erinç Yeldan, the policies and reforms in Disinflation Program shows that the program does not only aim to decrease inflation, but it rather aims to restructure the state's commitments to social classes (Yeldan, 2013, p. 161). Besides privatization targets and structural reforms on agriculture and banking, the program applied to fiscal and monetary policy areas. The currency peg achieved the exchange rate basket target, the inflation and interest rates showed a downward trend (Yeldan, 2013, p. 182). "The first eight months passed in a festive atmosphere. The country received foreign capital inflow in excess of 10 billion dollars" (Kazgan, 2005, p. 228). However, the model of the program required a decrease in public expenses, minimization of private and public borrowing from the Central Bank, high liquidity and strong foreign-exchange position (Yeldan, 2013, p. 185).

In November 2000, since the end of the year was approaching the national and foreign banks were gradually trying to close open positions which increased foreign exchange demand and naturally raised the interest rates. The interbank overnight borrowing rate increased rapidly (Kazgan, 2005, p. 229). In the same period, the implementation of new regulations for the banking sector progressed.

This new development influenced banks to close their open positions much faster and in more abrupt ways. In this case, the banks started to try increase their liquidity to buy more foreign exchange. More liquidity demand naturally resulted in interest rates moving up much faster. While eleven banks were being transferred to Saving Deposit Insurance Fund, the damage of banks showed up which were recorded as “duty losses”. The “duty loss” was introduced by government in order to not to reflect the loan support to producers and SEEs on the budget and follow the program targets of IMF (Kazgan, 2005, p. 230). The transfers to SDIF caused banks to cancel interbank linkages and added another liquidity shrinkage. These developments directed foreign banks to accelerate their exit from Turkey through selling treasury papers, which increased the growth of demand for foreign exchange. This trend further escalated interest rates.

In private commercial banks, large-scale short-term borrowing, foreign loan withdrawals, non-renewable loans resulted in asset value losses. With these asset losses and non-performing loans banks started to struggle. Despite the fact that the Disinflation Program targeted inflation and preannounced exit from currency peg after 18 months, it failed to meet monetary and fiscal targets, which sent the message that program backfired by persistent high inflation (Akyüz & Boratav, 2003, p. 1550). With liquidation problem of banks, increased capital flows outside of Turkey and decrease in foreign reserves triggered panic in market. In the last quarter of 2000, the Turkish Lira liquidity shortage and interest rate increase caused the banking crisis, which later turned into a foreign exchange crisis in 2001.The collapse of commercial banks affected industry, construction and trade. In one month 6.5 billion dollars left Turkey. GDP decreased by 4.5% in the first quarter and 11.8% in the second quarter (Kazgan, 2005, p. 232).

When the first signs of the crisis emerged at the end of 2000, Ecevit gave a commitment for treasury guarantee for the external debts of the banks (just like domestic deposits). After a few months, the foreign debts of banks were paid by the Treasury and the foreign exchange requirement caused by these payments was covered by IMF credits (Boratav, 2003, p. 224). 15 May 2001 Transition to Strong

Economy Program declared. The only difference from previous programs was the adaptation of floating exchange rate as monetary policy. Former vice president of the World Bank Kemal Derviş arrived in Turkey like a superhero, who would magically rescue the economy, however he offered the same economic agenda and stated "politics has highly interfered with economics in Turkey. We must separate economics and politics… The process of the exploitation of economics by politics should be stopped."[8] He was underlining the ongoing political hegemony crises.

"The 1990s was marked by a protracted crisis of political hegemony and the domination of the military over the political sphere in the form of a neoliberal national security state" (Akça, 2014, p. 23). The hegemonic crises imply that none of the parties were successful to gain consent of different fractions and classes. The causes of these crises have two components. Firstly, as in 1989 strikes appeared, the implementation of the neoliberal economic and social policies through repression did not work anymore. Additionally, the several economic crises which were caused by neoliberal accumulation strategy established discontent among society towards political actors. Secondly, new rising identity politics such as Kurdish movement and political Islam weakened the established political culture of Turkey. "Looking at the general elections of the 1990s (1991, 1995 and 1999), one can observe that the highest percentage of votes for the winning parties ranged between just 21.3 and 27 percent (Akça, 2014, p. 23). In the center right wing and in the center left wing, two parties in each political position were competing with each other, while Islamist (Welfare Party) and radical nationalist (Nationalist Movement Party) were rising.

The performance of Turkish economy between 1980-2001was also affected by three factors, according to Fikret Şenses. Firstly, the Marmara earthquake in 1999 affected the industrially advanced areas. Secondly, the Kurdish problem described by military of Turkey as "low-intensity conflict." In the 1990s Kurdish Workers Party gained power in Southeast Region of Turkey and started a guerrilla war in the region. The war changed the social, political and economic mechanisms.

[8] http://www.milliyet.com.tr/2001/04/22/son/soneko06.html

Increased military expenditures became a huge burden for the state budget. Thirdly, the 1998 economic crises in emerging economies had a notable impact on the Turkish economy (Şenses, 2016). In addition to the three factors, the dynamics of world and Turkish society was affected by the Gulf War. Turkish export was affected negatively by the Gulf War in 1990. External trade shrank before and after the war because of the embargo on Iraq and the breakdown of relations within the region, which also influenced the southeastern conflict.

Turkish political Islamism since the 1970, gained 11.8 and 8.6 percent of the votes in the 1973 and 1977 general elections respectively, achieved important electoral successes in the 1990s (Akça, 2014, p. 26). The WP's "Just Economic Order" (Adil Düzen) promised an egalitarian petit bourgeois society composed of individual entrepreneurs with a religious background presented as multi-culturalism and incorporated with anti-Americanism and anti-Europeanism (Akça, 2014, p. 26). Through promises of new way to integrate into the global capitalist economy in cooperation with Middle Eastern Muslim countries, WP brought together the "small- and medium-scale bourgeoisie, and primarily the provincial pious capitalist class organized under the Association of Independent Industrialists and Businessmen (MÜSIAD), the peripheral segment of the working class, and Turkey's upwardly mobile, religious-conservative professional middle classes (Akça, 2014, p. 26)". Besides, the WP also managed to reach peripheral working class, which worked informally and was unable to find secure employment.

Although Turkish-Islamic Synthesis was promoted by the military as unifier ideology, the reaction towards rising political Islam was different. Total militarization was adopted against political Islam which acknowledged as an interior threat towards Turkish modernization was protected by Turkish Armed Forces. After 28 February 1997, the coalition government resigned because of a systematic pressure of media, economic and political powers. The Welfare Party was banned in 1997 and its successor Virtue Party followed in 1999. The militarization response was applied similarly to the Kurdish Movement. Since 1984, Turkey has also experienced an officially undeclared 'internal war' in its east and southeast regions that consolidated under the national security state (Akça, 2014, p. 24). The civil society was also exposed to militarization to great extent.

2.4. The Strict Implementation of Neoliberalism

After the 1997 Asian Crisis, IMF aimed to structure the economic institutionalization in Turkey and monitor the structure in the long-term in order to secure continuous implementation. In a similar manner, Turkish bourgeoisie has been uncomfortable with the continuous hover between “populist” policies and neoliberal structural adjustments since 1989. In addition, they wanted to secure the newly emerging market position in international economy (Boratav, 2012, p. 10). The 1998 Staff Monitored Agreement was the first step for a long-term monitoring of IMF which followed with Stand-By Agreements during 1999 and 2001 crises.

In 2002 Justice and Development Party adopted and continued the implementation of the “Transition to Strong Economy Program” which was planned by Kemal Derviş, and even renewed the program in 2005. The commitment to neoliberalism started with the 1998 Staff Monitored Agreement Program; however, the legitimacy and consent building among society could not be achieved. The hegemonic crisis continued after the commitment to 1998 program until the JDP government. According to Korkut Boratav, between 1998-2002 were the lost five years for Turkey (Boratav, 2015, p. 139). The hegemonic project of JDP achieved the successful implementation of neoliberalism. On the other hand, the neoliberal policies and economic environment secured the political power of JDP, therefore, JDP’s hegemonic project and the economic environment will be discussed correspondingly.

According to Korkut Boratav, in the first five years, the JDP utilized the awakened international capital movements and the idle capacity, which could not be canalized into production during the lost five years (Boratav, 2015, p. 143). The economic model changed after the JDP came to power with large electoral support. Ironically, the success was partially achieved through active propaganda against the IMF and its programs, but the adopted economic model was the same as what the IMF instructed. Moreover, the IMF agreement was renewed after three years in 2005. “2005 agreement includes a 10 million dollar credit which was acknowledged as an exceptional event. In it stated that the three-year program would be used as an anchor for 2007 general elections” (Boratav, 2003, p. 199).

By the orientation of monetary policy towards fighting inflation, the JDP gained the support of the Istanbul-based big bourgeoisie, the small- and medium-scale bourgeoisie, especially the Muslim-conservative sections of the latter, urban Muslim-conservatives, and also some from the upwardly-mobile secular middle class (Akça, 2014, p. 30). The economic model had three structural reform pillars; establishing public governance in order to reduce public debt and expenses, reforming private sector which included privatizations, deregulation of labor, easier entry of foreign capital and reducing bureaucracy in order to promote investment, and lastly restructuring the banking sector, which aimed to mainly restructure public banks and improve banking regulation and private banking (Ergüneş, 2012, p. 222).

Firstly, the public governance pillar focused on reducing public debt through non-interest budget surplus with 6.5% target. The non-interest budget surplus could only be achieved through cutting public expenses. The indirect taxes on consumption, like Special Consumption Tax, Special Communication Tax, Fuel Consumption Tax, which already had a high share in tax revenues, have been increased in order to provide budgetary discipline and increase the primary budget surplus. The share of indirect taxation on total tax revenues was 66% in 2002 when the JDP came to power and it became 73% in 2005. It was 79% of total tax revenue for 2006 (Altıok, 2007, p. 63). The indirect taxation is based on consumption, regardless of income level, which eventually affected purchasing power and wealth distribution.

In addition to increasing non-interest budget surplus, the public expenses have been decreased and public services have been commercialized. Turkey never had a welfare regime as defined in the previous chapter, since the state has been the key actor of economic development from the foundation of the republic. Additionally, the majority of the labor has been self-employed with small-medium size enterprises, and unorganized and informal employees have not contributed to the class-based political struggle. On the other hand, the international political and economic environment and import substitution strategy allowed class-based politics to flourish and unions to act more organized, which created a fragile reconciliation between state and labor. For example, severance and social benefits were remarkable in collective agreements between the 1960s-1980s (Koray, 2015, p. 19). As the neoliberalism settles in Turkey, the social policies have shifted from social state promises to an emphasis on social assistance (Koray, 2015, p. 30) with an Islamic almsgiving notion. Additionally, social help and rights became the election promises by populist politicians when the implementation of neoliberalism took short breaks.

The social policymaking of the JDP is complicated. Although the term social state was often used, it was not clear that the social rights are granted based on citizenship. The neoliberal policies were being implemented through liquidation and privatization of public while institutionalization was carried out at the level of the Ministry, which was called Family and Social Policy. The number of private hospitals increased between 2002-2013 from 271 to 550, which corresponded to an increase of 102,9% (Öztürk, 2015, p. 89). The health insurance regulations changed and were integrated in 2003 under Transformation of Health Package. Additional charge for pharmaceuticals were passed in 2014. These policies partially commercialized and privatized the healthcare system and dissolved the state responsibility to provide healthcare.

Same anti-statist policies were also implemented for education. Despite the increased budget of Ministry of Education from 7.460.991.000 TRY (2002) to 34.112.163.000 TRY (2011), the share of investment decreased from 17,18%

(2002) to 5,85% (2011) of total budget (İnal, 2015, p. 67). Furthermore, between 2002-2011 annual educational expenditures for children of primary school increased four-fold (İnal, 2015, p. 67). In addition to reducing public expenses, through commercialization of social policies and promotion of market as a judge of good service, new opportunities for the private and financial sector was created. By showing the increased budget share in education, the perception that equal opportunities were provided for poor students in public education was created through distributing some educational materials (such as textbooks, tablets, computers) and food (school milk) free of charge. On the other hand, tenders of educational materials were given to companies that have good relations with the government and to the JDP members. Another strategy was to encourage the privatization in education through incentives and exemptions for private schools and private universities (Koray, 2015).

It is true that the social aid increased in quantity and quality compared to the recent years, but “even in 2012, social welfare, non-contributory payments, and direct income support all remain at 1.40% of GDP and social benefits reach only 1% of GDP” (Koray, 2015, p. 52). “Being somebody for the outcasts/kimsesizlerin kimsesi olma” discourse labelled the social aid as charity for people have no one (Koray, 2015). Former government spokesman Cemil Çiçek summarized the Turkish welfare regime with these words: “We want each of our services to turn into votes. It is the nature of things for us to want votes. We want the people to think JDP is there for them for their worst day and best day. Besides, this aid is based on our traditions and belief system” (Urhan & Urhan, 2015, p. 255). In 2016, the number of social assistance receivers became 12 million 829 thousand[9]. The discourse of a non-class society that has been repeated since 1980s helped the JDP to apply social aid as a mechanism for dissolution of poverty. The identity of Islam started to be the strategy of integration of classes. The economic class identities changed to religious or ethnic identities. In order to gain political consent of poor, the JDP adopted the representation of the traditional support and almsgiving of

[9] http://www.tuik.gov.tr/PreHaberBultenleri.do?id=24575

Islam. However, the social benefits and aids acting as intermediaries for new rent opportunities created clientelist relations (Koray, 2015, p. 43). The social aid became an instrument of neoliberal governmentality.

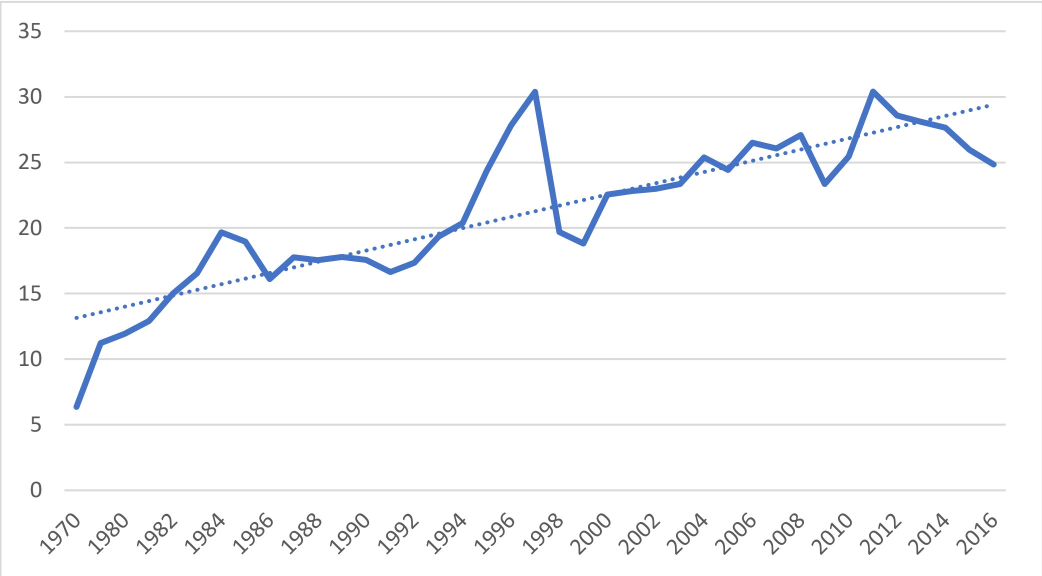
"In accordance with the neoliberal understanding of the state, it was pretended that the state's tutelage over society would have been eroded as the hold of the state over the economy will be diminished through the policies of privatization" (Bedirhanoğlu & Yalman, 2010, p. 121). The increased public debt became the excuse for selling the government-owned enterprises like TÜPRAŞ oil refinery, ERDEMIR metalworks, Türk Telekom and many others. "The total privatization revenue is 35.5 million dollars. This income corresponds to 81.4% of the total privatization income of $43 million made between 1986 and 2012" (Koç, 2015, p. 132). The privatizations also served as another tool for capital transfer and foreign capital attraction along with "a variety of forms ranging from several subsidy and bailing-out schemes to a series of tax policy changes which have deliberately favored the corporate sector" (Bedirhanoğlu & Yalman, 2010, p. 114). Additionally, the Mega Projects also served as another capital transfer instrument through public tenders. Furthermore, these mega projects became very crucial for building consent among society. The "servants to the nation" discourse was often used during the launching of mega projects.

On the other hand, while various encouragements and incentives were implemented for national capital and foreign investors, the various agriculture supports were dissolved. Agricultural Sales and Credit Cooperatives, TEKEL, ÇAYKUR, FİSKOBİRLİK have been gradually deactivated. After 2007, the support for six products other than cereals as credits were introduced, but the credits remain restricted in IMF instructed budget lines and never increased beyond 0.6% of the total budget between 2003-2009 (except for 2007) (Boratav, 2003, p. 203).

The neoliberal programs aimed to liberate economic institutions from political power which was also Kemal Dervis's priority during implementation of transition to a strong economy program. Banking Regulation and Supervision Agency and Free Market Board were some of the examples of institutions of neoliberal governmentality in Turkey, which restrained political actors to interfere with the market and distribute economic favors to certain capital groups. In other words, the initial anti-state, market fundamentalist stance acknowledged the need for state interventions provided that they become 'market-friendly' (Bedirhanoğlu & Yalman, 2010, p. 115). However, the JDP violated the rule of not interfering with the market and neutralized the institutions systematically (Boratav, 2015, pp. 156-157). This neutralization allowed the JDP to produce dismissive, remunerative, favor-based and sometimes punitive instruments in order to "discipline" capital. These instruments changed the income distribution. Private property conversion of previously immovable public assets affected the income distribution (Boratav, 2015, p. 158). The wealthiest 1% increased their total share of wealth from 39% to 54% and the wealthiest 10% increased it from 68% to 78% between 2002-2014 (Boratav, 2015, p. 158).

For the monetary policy, the disinflation was the major target. The inflation was 68.5% in 2001 and decreased 9.3% in 2004 (Table 2.1.). In addition to the monetary and fiscal policies that have been persistently implemented since 2001, the real appreciation of TRY in the foreign exchange market after 2003 and significant foreign inflows have led to a decrease in inflation (Boratav, 2012, p. 37). The central bank started to implement inflation targeting and tight monetary policy. There was not any policy implementation towards exchange rate targeting, which resulted in dependency of inflation on international monetary flows and ultimately high interest rates in order to attract foreign investment and monetary flows. Besides, the appreciation of Turkish Lira decreased the price of imported goods and services. The Figure 2.1. shows the percentage of import of goods and services in GDP. The trend shows that each year the value of import increased.

Figure 2.1. Imports of Goods and Services (% of GDP) in Turkey



Source: (World Bank, 2018), http://data.worldbank.org

For the private sector, the model aimed full-integration with the international market. The Bretton Woods Institutions instructed role for Turkey was to offer low-labor cost to international capital and to become a subcontractor in international division of labor. After the 2001 crisis, wage repression became a part of the strategy to increase international competitiveness capacity of Turkey. Between 1978/79 and 1988 the reel wages decreased 29-32% percent, the share of wages in industry added value decreased from 37% to 15% (Boratav, 2015, pp. 138-139). Due to the 1989 strikes, the new wave of "populist policies" and the promises of parties, the reel wages and the share of wages in industry added value increased. The 1994 crisis and April 5 decisions applied new distribution policies again, which decreased the share of wages in industry added value.

From 1994 until 1998, the distribution policies have been based on high inflation. Starting from 1998, the share of labor decreased. "The value of the real wages index for manufacturing sector was 111.3 in 2000 but fell to 93.7 in 2007. In this context, the policy of inflation-targeting has acted as a mechanism for squeezing wages" (Ergüneş, 2012, pp. 230-231). In 2009, the medium-term program introduced the flexible employment. “Labor market will be more flexible and mobile, while the balance between flexibility and job security will be attained” (T.R. State Planning Organization, 2008, p. 48). The flexible employment adopted through the transition to subcontracting in all sectors and the widespread contracted employment in the public sector.

Turkish industry had continued to specialize in sectors of production with standard technologies and relatively low production costs as part of its export-oriented, but not necessarily export-led, growth strategy (Bedirhanoğlu & Yalman, 2010, p. 112). Besides, the export capacity was dependent on the imported products, which used for the production of exported goods. The current account deficit was the result of the dependency to imported products and appreciation of Turkish Lira. Current account deficit increases the fragility of economy against decrease of short-term monetary flows. The fragility also affects foreign exchange reserves and any sudden decreases of foreign exchange endanger firms and financial institutions which are in open position. Besides, the increased demand of foreign currency increased the private sector indebtedness (Boratav, 2003, p. 214). The Table 2.1. shows the increased private sector indebtedness.

The change of structure of production also related to financialization of Turkey. The increase in revenue of financial sector has already started after 1994 decisions. The state guaranteed to save accounts of all banks transferred the risk of banks to public. The increase in the public borrowing requirement resulted in increase in real interest rates and an increase in the profitability of the financial sector in general, especially in the banking sector. The increased profitability directed other capital to invest in the financial sector (Koç, 2015, p. 134). The main characteristics of the financialization between 1989-2001 were increased speculative gains, driven by high real interest rates, stock market games, rents and exchange rate arbitrages.

After 2001, the new banking sector regulations changed the structure of financial sector. The penetration by foreign banks intensified, and 21 of the total of 34 deposit banks were foreign in 2016 (Türkiye Bankalar Birliği, 2017). The 2000-

2001 crisis made Turkish banks more attractive to foreign banks as mergers and acquisitions led to rationalization of branches and personnel (Ergüneş, 2012, p. 237). At the same time, domestic banks increased their credibility. According to Ergüneş, “foreign banks’ expectation appeared to be that the growth of consumer credit market likely to be high, even in comparison with EU-countries” (Ergüneş, 2012, p. 238). In the tight monetary and fiscal policy environment, the profit that the finance sector gained through government debt securities decreased, which directed banks to search alternative services and operations. Foreign banks became the pioneers in the transformation of banking sector activities, and the increased competitive pressure led domestic banks to move towards consumer-loans.

The nature of economy started to be dependent on speculative-led short-term monetary flows, domestic demand based jobless growth and high import oriented due to appreciation of currency. “Overvaluation of the Lira and import-increase, not surprisingly, manifested themselves in large current-account deficits” (Ergüneş, 2012, p. 223). The private sector began to borrow much more easily as a result of decrease in the internal and external borrowing of the public sector. In the last decade, public sector budget deficits declined, the public debt burden fell rapidly, while the current deficit increased, and the private sector debt burden grew extremely as shown in Table 2.1. In the first five years, between 2002-2007, economic growth increased to average 7.3% (Boratav, 2015, p. 141).

Table 2.1. Macroeconomic Indicators of Turkey

	2001	2004	2007	2008	2009	2012	2013	2014	2015	2016	2017	2018
GDP Growth Rate %	-5,9	9,6	5	0,8	-4,7	4,8	8,5	5,2	6,1	2,9	7,4	5,5
GDP per capita (US Dolar)	9090	5961	9656	10931	8980	11588	12480		11019	10883	10597	11409
Current Account/GDP%	1,9	-3,7	-5,9	-5,7	-2,2	-6,1	-6,8	-5	-3,8	-3,8	-5,5	
Unemployment Rate %	7,8	10,8	9,9	12,7	12,6	9,3	9,6	10,9	10,8	10,9	11	
Inflation Rate %	68,5	9,3	8,4	10,1	6,8	6,2	7,4	8,2	8,8	8,5	11,9	
Public Debt/GDP%		-6,4	-1,8	-1,8	-5,5	-2,2	-1,0	-1,1	-1,0	-1,1		
Private Sector Debt/GDP%	39,9	26,4	20,7	20,5	23,8	24,2	28	30,7	35,3			
GINI	0,44	0,4	0,41	0,405	0,415	0,402		0,391	0,397	0,404		
Purchasing Power Parity (USA Dollar=1,00)	0,41	0,79	0,85	0,88	0,90	1,02	1,07	1,10	1,20	1,30		

Source: (Organisation for Economic Co-operation and Development, 2018), (Turkish Statistical Institute, 2018), (Republic of Turkey Prime Ministry Undersecretariat of Turkey, 2018)

After the 2008 crisis, the economic growth continued with the average of 3%. The 2008 crisis in international financial markets expanded exaggerated liquidity in western, and the interest rates of central bank borrowing were zero. In this environment, Turkey's average arbitrage return was 17%. After October 2009, foreign short-term money started to flow in Turkey (Boratav, 2003, p. 223) . On the other hand, the unemployment rate of 11.0 in 2017 (Table 2.1) indicates the jobless growth pattern of Turkish economy. “As the increases in labor productivity have not been accompanied by an improvement in either real wages or labor participation rates” (Bedirhanoğlu & Yalman, 2010, p. 121). The economic growth achieved through domestic demand. Additionally, “the savings decreased to 13,3% in 2014” (Boratav, 2015, p. 114), which indicated that Turkey could not accumulate any capital. On the contrary, the previous savings, which were canalized to domestic consumption that ensured economic growth, were started to be used. The share of total consumption expenditures in GDP was 76,8% in 1998, 80,7% in 2002 and 84,1% in 2014 (Boratav, 2015, p. 145).

Returning to the title of this period, the JDP achieved the full-scale articulation into the world economy; the construction of a repressive labor regime; and financialization which described as successful neoliberal regime. In the period until 1998, the implementation of financial and trade liberalization policies was interrupted by a series of early elections, which underlined the discontent of society. On the other hand, a series of financial crises (1994, 1998, 2000-1) created an opportunity for the Turkish neoliberal market enthusiastic policy makers and Bretton Woods institutions to structure economy, according to the neoliberal economic model. “It is, therefore, impractical to consider the financial crisis of the era of globalization as 'dysfunctional' moments which the states of the crisis-ridden economies, or the IMF for that matter, as a rationalizing instance, simply an attempt to 'avoid' (cf. Poulantzas 1975: 1 7 1-2)” as cited in (Bedirhanoğlu & Yalman, 2010, p. 116). Indeed, the crises not only provided the environment for economic reforms, but also the hegemonic consent of society, which was desperate for any wealth creation methods. Moreover, in thirteen years of political power, “economic stability” became the key element of the JDP discourse.

Hence, the EU accession process played a key role in the further democratization and Europeanization of Turkish political system, which served as a democratic identity for the JDP to transform an Islamist political movement into a party that embraces the norms of liberal democracy. (Bedirhanoğlu & Yalman, 2010, p. 121) The EU membership served as democratization counterpart of the hegemonic project, which was used during the formation of hegemony with freedom of speech while Erdoğan was imprisoned due to a reading of a poem. Embracing the EU accession process functioned as a hegemonic apparatus to get the consent of the dominated classes and other repressed social groups.

Additionally, “it has served to consolidate the JDP’s political power vis-à-vis the military and secular establishment” (Akça, 2014, p. 34).

Alongside the democrat image, the JDP build an identity based on cultural hegemony which was rooted in the Turkish-Islamic Synthesis implemented during the 1980s military coup. While political Islam was on the political arena since 1970s, the JDP offered the dissolution of internal conflicts such as an interest rate, which prevents the accumulation capital. The identity-based cultural hegemonies also served as a dissolution of class-based politics (Durak, 2013), which was the first aim of the structural reforms underlined in 24 January Decisions, or the 1980s coup announcement etc. “The JDP has succeeded to vacuum the left by collapsing the center-right by reinventing a Turkish center-right-type populist strategy under the rubric of ‘conservative democracy’, though in a totally different historical setting” (Akça, 2014, p. 30).

Internationally, the JDP promised full integration into the international economy and became an example country in the Middle East. “However, this was a process already initiated at the end of the Second World War, albeit experienced under different strategies of capital accumulation, though the discursive treatment of the state as an impediment had tended to portray it otherwise” (Bedirhanoğlu & Yalman, 2010, p. 117). Inflation targeting has been an important mechanism for articulation to fully integrate into world economy, which attracted foreign capital inflows while contributing to keeping wages low. The low wages increased the competitive strength of the productive sector, which depends on the expansion of import and external borrowing to grow. The JDP promised an 'investors' paradise' from the perspective of an international finance capital. “The foreign direct investment increased from 7.8 billion dollars to 63.9 billion dollars, which consist of privatizations, real estate, firm and bank procurements” (Boratav, 2003, p. 215). Moreover, the borrowing opportunities for private sector increased, so does the current account deficit.

The problematic structure of the current account deficit of Turkey originated from the method of financing the deficit. Financing the import demand through the speculative financial capital inflows required speculative and short-term capital inflows, instead of the internal dynamics of the national economy. In this sense, the production structure of the national industry is becoming increasingly dependent on the capital, and the inputs of the capital (Boratav, 2012, p. 138). However, after the 2008 crisis, the international economy entered the recession period and Turkey witnessed a high value of foreign capital exit, which also ended the high growth rates. Turkey returned to a normal economic growth with 3.8% (Boratav, 2015, p. 114) and ratio of the current account deficit to GDP increased to -6.1% in 2012 (Table 2.1.). The integration into the international economy was completed through a series of stand-by agreements and other foreign borrowing opportunities. It is obvious that the recent economic growth of Turkey depends on the short-term monetary flows and the foreign borrowing capacity. However, "in the mature phase of the neoliberal experience, Turkey, by deepening and extending dependence upon international capital flows, has turned society into a highly indebted social formation" (Bahçe & Köse, 2016, p. 70). "It will be much more realistic to assess the phenomenon as an example of how the political Islam adjusted to neoliberal restructuring project within the process of globalization" (Bedirhanoğlu & Yalman, 2010, p. 110). Two key instruments were implemented by the JDP as a consent building strategy, which were household indebtedness and social aid. It is notably said that the social aid receivers often underline their household indebtedness while explaining their cause to receive social aid (Kutlu, 2018).

The household indebtedness is 17.30% of GDP in the third quarter of 2017. The number of indebted became 8.019.815 in the third quarter of 2017. The averaged household's debt to GDP is 6.64 percent of GDP from 1986 until 2017, it has reached an all-time high of 19.60 percent of GDP in the fourth quarter of 2013.[10] Figure 2.2. shows a decrease after 2013, however the graph shows a constant increase. The decreases are coincided with the legislative regulations like 2006 Bank Cards and Credit Cards Act and 2010 regulations to limit the demand and supply of consumer credit.

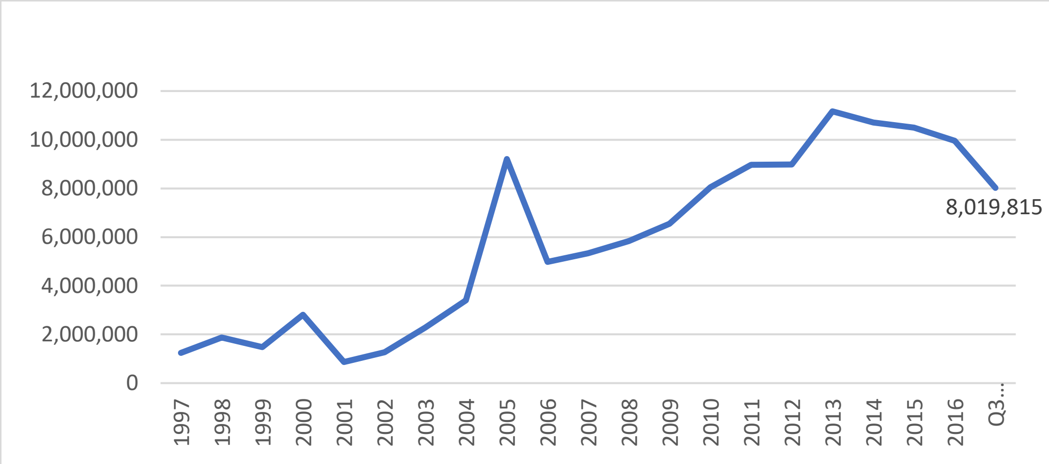
[10] https://tradingeconomics.com/turkey/households-debt-to-gdp

The credit card interest rates became a problem in mid-2000s. Turkey had relatively high credit card interest rates compared to other countries. In 2006, the interest rate of credit cards in Turkey was 84,8%, while in the United States of America it was 12.5% and in United Kingdom it was 16.5% (Karaçimen, 2015, p. 178). In accordance with the Bank Cards and Credit Cards Law, which was enacted in 2006, the Central Bank was given the authority to determine the maximum interest rates to be applied to credit cards, followed by a decrease in credit card interest rates. Additionally, this act put banks under obligations through regulations on issuing, cancelling and usage of the credit cards. On the other hand, the act only regulates the usage of credit cards and did not solve the need of barrowing, which caused the credit card indebtedness.

According to Interbank Card Center, the number of card users increased from twenty million to fifty-seven million between 2003 and 2013 (Karaçimen, 2015, p. 176) and 62.453.610 in 2017.[11] It is a fact that banking intensive marketing and advertising strategies play an important role in this rapid increase in credit card usage. The use of credit cards has been encouraged in many ways, such as air miles, installment payment, and collecting money points from payments made via credit card. Although the credit card is the mechanism for “purchasing first, payment later”, for those who cannot grant for consumer credit, the credit card serves as a barrowing mechanism through cash advances.

11 https://bkm.com.tr/pos-atm-kart-sayilari/

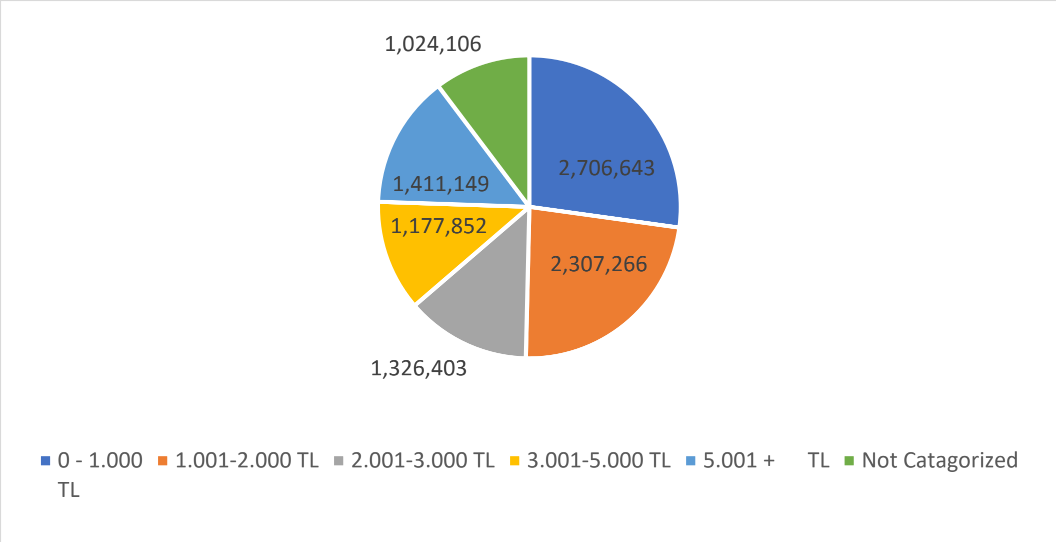
Figure 2.2. Number of Borrowers



Source: (Banking Regulation and Supervison Agency, 2018), https://www.bddk.org.tr/WebSitesi/english/Statistical_Data/Statistical_Data.aspx

Elif Karaçimen examines the financialization process of society based on the indebtedness of workers in Turkey. She conducted a survey with 220 workers from the metal sector in İstanbul from different employment types. Factory workers, industrial estate workers and shipwrights are compared for the differences of their financialization based on their employment types. The study draws a conclusion that the shipwrights and industrial estate workers which have not secure working conditions use credit cards more often. Besides, these workers' social security premiums are not paid regularly and in time, so when they apply for consumer loans, they cannot summit the forms, thus, cannot get consumer loans. Therefore, they use credit cards to withdraw advance cash with high interest (Karaçimen, 2015). The Figure 2.3. shows that half of the total borrowers has less than 2.000 Turkish Lira, which indicates the extent of credit card usage among low-income households. In Turkey, overall household indebtedness concentrated on low income and middle-income households.

Figure 2.3 Number of Borrowers based on Household Income



Source: (Banking Regulation and Supervison Agency, 2018), https://www.bddk.org.tr/WebSitesi/english/Statistical_Data/Statistical_Data.aspx

After 2010, in order to reduce the borrowing demand regulations such as increasing the minimum payment of credit cards, limiting credit card limits in parallel with the income and restricting the installments (Karaçimen, 2015, p. 181). However, the results remained restricted. Since in a demand-based economy the increase of interest rates will decrease the growth, the necessary steps could not be taken. From 2003 to 2013 the household debt disposable income ratio increased from 7.5% to 55.2% (Bağımsız Sosyal Bilimciler, 2015, p. 169).

Within this period, the importation, the number of shopping malls, the market share of international brands in Turkey was increased and advertising sector grew, which encouraged consumption. The appreciation of Turkish Lira reduced the price of imported goods. On the other hand, the wages did not increase parallel to consumption which resulted in a demand in household borrowing (Karaçimen, 2015, p. 159). Elif Karaçimen underlines that not only the decreased inflation rates and the interest rates play a role in increased demand of household borrowing, but also the changes in employment, public services and banking sector were curial impacts for increased demand (Karaçimen, 2015, p. 161). The consumer behavior changed independently from income increase, but through increased usage of consumer credits and credit cards. Additionally, beginning in the 1990s, the capital was increasingly directed towards the construction sector, and housing construction has shown a rapid increase. In 2000s, the restriction of access to alternate housing opportunities such as slums, public housing and co-operatives canalized the housing need to be fulfilled through ownership. Governmental incentive and the financial system has played an important role for creating a demand for supply. For example, in 2004, the interest rates for housing credit was 2.57%, whereas at the end of the 2005, the interest rates decreased to 0.99% (Karaçimen, 2015, p. 175).

"Before 2001, the banking system was heavily dependent for their earnings on high interest spreads between deposits and Treasury bills associated with rapid inflation, and thus highly vulnerable to disinflation" (Akyüz & Boratav, 2003, p. 1550). The new banking regulations and reforms restructured the banking and finance sector in Turkey. Three main results of the regulations shaped the increase in household credit. Firstly, the restructuring of banks resulted in increased concentration, which allowed banks to act based on their benefit. Secondly, the restriction in granting commercial credits to firms that the bank has relations with directs banks to find other sources for profit. Thirdly, the adaptation of the European Union standards and regulations encouraged foreign banks to enter Turkey (Karaçimen, 2015, p. 187). The increased foreign borrowing capacities of banks and accumulated repo funds in new tight monetary policy environment allowed banks to finance the increased demand of household borrowing (Karaçimen, 2015, p. 161).

Table 2.2. shows the volume of loans, the number of borrowers and the percentage in total household credit different from household credits. The volume and the number of borrowers of consumer credit loan increased over the years, which indicates that consumer credits are used for different purposes such as

mandatory military service exemption, setting up a new home or paying debts of credit cards.

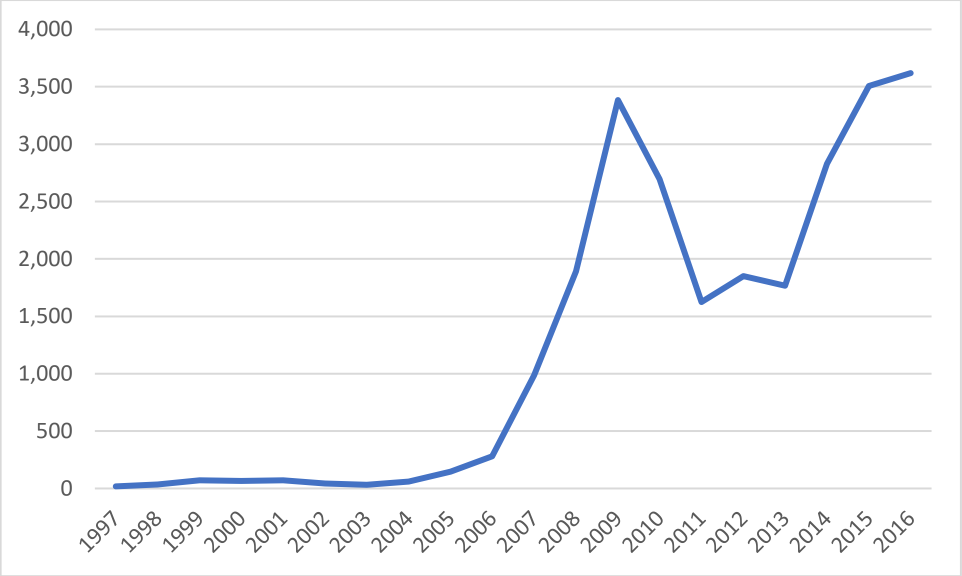
Table 2.2. Household Credits

Year		Vehicle	Housing	Consumer	Other
2005	Volume of Loan (Million TRY)	503.701	315.780	4.861.206	89.580
	Number of Borrowers	6.147	12.389	9.372	357
	% in Total Household Loan	9%	5%	84%	2%
2010	Volume of Loan (Million TRY)	304.037	1.082.561	7.314.703	2.600.216
	Number of Borrowers	5.351	57.584	45.600	13.675
	% in Total Household Loan	3%	10%	65%	23%
2015	Volume of Loan (Million TRY)	257.841	1.982.464	17.310.934	3.146
	Number of Borrowers	5.770	135.136	144.099	23
	% in Total Household Loan	1%	10%	89%	0%

Source: (Banking Regulation and Supervison Agency, 2018),
https://www.bddk.org.tr/WebSitesi/english/Statistical_Data/Statistical_Data.aspx

The creation of a flexible labor market was resulted in temporary and long-term unemployment and delayed salaries. While the salaries were not increased parallel to inflation, the increase in indirect taxes and inflation decreases purchasing power. The rapid increase of unemployment, low wage jobs, precarious employment conditions increased the demand of household borrowing. Moreover, the pressure to pay debt as well as its interest rate allow these employment conditions to be acceptable (Karaçimen, 2015, p. 160). Half of the borrowers have a household income between 0-1.000 TRY and 1.001-2.000 TRY. During the 2008 crisis, the number of legal proceedings were increased, due to the higher unemployment.

Figure 2.4. Number of Borrowers of Legal Proceedings



Source: (Banking Regulation and Supervison Agency, 2018), https://www.bddk.org.tr/WebSitesi/english/Statistical_Data/Statistical_Data.aspx

The insufficient social policies and the privatization of social services create another expenditure. Table 2.3. shows the percentage of barrowers for social service expenses in the whole population in OECD countries, Turkey, and the world in 2014.

Table 2.3. Borrowed for Health and Education Purposes (% age 15+)

2014	OECD	Turkey	World
Borrowed for health or medical purposes (% age 15+)	4,801508	11,45961	12,16908
Borrowed for education or school fees (% age 15+)	5,589266	13,19315	13,19315

Source: (World Bank, 2018), https://datacatalog.worldbank.org

The first phase of financial inclusion was during the 1990s and resulted in 2001 crisis. The second phase was household indebtedness, which became an instrument for neoliberal governmentality to build consent through using it as wealth generator. Besides, household barrowing capacities increased the domestic demand which contributed the economic growth. On the other hand, as explained previously, debt became a disciplinary mechanism for time, demand, and consumption, which ultimately secured the political stability and decreased political mobility. The increased household indebtedness was caused by neoliberal labor policies, wage repression, new consumption patterns, post-2001 banking regulations and the lack of social policies. On the other hand, the social cost of the indebtedness remains in the shadows, the qualitative research provides insights of life under debt which is coming in light in next chapter.

3. CHAPTER DEBT AS A TOOL FOR SOCIAL CONTROL: THE RESULTS OF THE FIELD STUDY

3.1. Methodology

The Financialization of World Economy and Financialization of Turkey chapters provided the background of increased consumer credits in Turkey. The official statistics and macroeconomic indicators provide only the extent of household indebtedness. Governmentality and hegemony concepts enlighten the mechanism of debt affecting the social and political context. However, “financialization becomes clear only after demonstrating the financialization of non-financial enterprises, banks and households, subsequently considering the implications for mature capitalist economies as a whole” (Lapavitsas, 2013). The field study aims to investigate household counterpart of financialization. In this chapter, the methodology and aims of the field study are explained.

As clarified in theoretical background neoliberalism changed raison d’état of every aspect of life as well as economics as a science. “It gave a rationale for narrowing the scope of economic investigation to the study of the problem of allocation under scarcity and the determination of prices, by focusing on market relations treated in isolation from their social and historical context.” (Milonakis & Fine, 2009) Firstly, the methodological individualism: explaining social realities based on one representative individual’s cost calculation for own profit maximization based on marginal utility theory. Rational behavior is defined as maximizing own interest. From this point of view rational behavior of one representative individual is arrogated to the whole society which abstracts the individual from society and history.

Secondly market failures like crises are interpreted as lack of knowledge and differences of information which ultimately enlightens the market failures caused by individuals herself/himself. This perspective diminishes the social, political and historical contraction of individual and economic phenomenon. According to Korkut Boratav, ignoring the effect of historically constructed ideological and political residue on economic events causes misconceptions (Boratav, 2015). Economic phenomena are separated from their political and social context and started to be explained only through statistics and numbers which abstracts the economy from society. The abstract economy escaped from the influence of social and political which promotes the market regime of truth and closed the pathways of changing the economy (Wood, 1981).

Thirdly, how can economic variables in similar size and nature cause different results in different countries and in different periods? Beyond historical and political structure differences, the sociology affects the economical phenomenon which clearly appeared in the standard "shock therapy" economic policies caused massive social movements in North Africa, but they were accepted in Turkey in silence (Boratav, 2015, p. 273).

The abstraction of financialization and household indebtedness narrows the scope of understanding the effects and causes of indebtedness. The methodological individualism generalizes the experience of every indebted and predicts future indebted experience based on general assumptions. Besides methodological individualism overlooks the socio-economic background of different indebted and the effects of institutions and society on indebted behavior. Financialization sets a system of economic relations which change economic and social contexts of the household. The field study aims to materialize the abstracted phenomenon through interviewing indebted people. On the other hand, the field study does not seek to prove the statistics and other macroeconomic indicators of household indebtedness, but rather enhance the point of view towards financialization and indebtedness.

The in-depth interview method is chosen in order to create an open space for indebted to tell their life under debt. "The aim of the qualitative researcher is not to produce a representative and unbiased measurement of the views of a population, but to deepen his or her understanding of a social phenomenon by conducting an in-depth and sensitive analysis of the articulated consciousness of actors involved in that phenomenon" (Wainwright, 1997, p. 15). The in-depth interview allows the research to collect individual stories under debt with socio-economic background of indebted which offers the opportunity to capture explanations for behaviors and attitudes under debt in a broad perspective.

"Any analysis concerning the differing economic motives behind borrowing should begin with the premise that household population is not homogenous and their class position depending upon the members' position in the production relations has inescapably determined their economic orientations, including the motives behind saving and consumption" (Bahçe & Köse, 2016, p. 64). The results of the field study do not promise any general patterns of consumer credits or credit card usage or general assumptions towards greater population. However, they show a variety of effects of indebtedness on social context. The in-depth interviewees are attempted to be chosen from different backgrounds, age and income which serves the purpose of collecting different experience of indebtedness. The different backgrounds also diversify the effects indebtedness which causes generalization problems, however the aim of the study is to show different experiences of indebtedness. Broadening the interviewed debtors to include different employment conditions and histories allowed the field study to make a comparison and link between workers' employment patterns and how they are involved in the financial system. Additionally, the interviewees have different forms of indebtedness, such as "education credit", "health credit" or "military service exemption credit" since the field study aims to understand which conditions forced debtors to apply for credit. The backgrounds of interviewees also contribute the understanding of how their own historical and social conditions play a role in their experience under debt.

The questions are formulated to understand one main question; what is the social cost of indebtedness? Additionally, the open-ended questions allow the research to investigate new topics that were not forecasted. The semi-structured questions have been used for creating an open space for debtors to tell their experience under debt. (Annex 1). The questions also make it possible to evaluate experience of borrowing in the process, and therefore it goes beyond just presenting the instant situations as in the survey methods. The interviewees signed a consent form that states the interviews will be used for a field study of Istanbul Bilgi University Masters dissertation. The interviews were recorded and voice records were used during the analyze of the interviews. All of the recorded interviews were written down and notes were taken for in-depth analysis. The themes that related to the research question such as relations of indebted or psychology of indebted were identified and were used to determine the titles.

3.2. Results of field study

The interviews were conducted with eighteen participants between January-April 2018. Each interview lasted thirty minutes to fifty minutes. Sixteen participants were interviewed alone, two participants wanted to conduct the interview together due to having taken out the loan together and they have been living together for ten years with a shared economy. Sixteen of the participants were male and two of them were female. Nine of the participants are married. Three of the participants are in the 18-25 age group, nine participants are between 26-35 age group and six of the participants are between 35-55 age group. 10 of the participants' income level is between minimum wage-3000 Turkish Lira. The minimum wage is 1600 Turkish Lira which is under starvation line. Four of participants have 3000-5000 TRY as income. 3 of the participants have 5000-7000 as income. All of the interviewees live in Istanbul, but ten of them state their origin to be other provinces in Turkey. Eight of the interviewees originally come from the Southeast Anatolia Region and two of them come from Black Sea Region of Turkey. One of the participants graduated primary school and did not pursue further education. Two participants finished middle school. Three participants started high school but did not graduate. Four participants graduated from high school. Seven of the participants earned university diplomas. One of the participants has been pursuing a master degree.

3.2.1. The Reasons of Indebtedness

Yusuf.Ç. is forty-nine years old. He lives with his wife, two children, his daughter in law and his grandchild. His daughter is seven, his son is twenty-three years old. After he worked in various firms, mostly in the textile sector, he retired and started to work in his friend's book shop. Although he has retirement pension and his wife and son contribute to the household income, he started to work in his friend's bookshop. The income of the household is between 3000-5000 Turkish Lira.

"Our earned money does not remain the next day, so for basic needs we are borrowing through credit cards. I cover my basic needs with a credit card. Sometimes I take out a loan, when it gets harder. So far, I took out many loans". He does not know the exact amount that he has borrowed in past years. He states that "Every year I take loan more than one time. I take two loans per year. It's the minimum. After I finished one payment, I have to take out another loan. I owe money to not just one bank, but many of them. You cannot finish all the payments. If you delay one monthly payment, you start paying the credit card with new loans and it continues. Taking out loans is also continuous. You cannot finish it. I have been getting credit for more than 20 years. I am also using credit cards. I am not sure whether the credit cards have been used for 20 years now. But I am still getting credit and using credit cards. I do not know a time when I was not in debt."

The debt spiral is basically paying one debt with another borrowing. At the end the debtor remains an eternal debtor. Being aware of financialization does not prevent being a debtor. Ufuk Y. is 30 years old and he works in commercial credit department of a bank. He states that his psychological or everyday life has not been affected by indebtedness. However, he regularly pays his credits cards through consumer loans. “To go to holiday, I got a loan. Sometimes I cannot pay my credit cards and they accumulated. The interest rate of credit cards is double size of interest rate of loans. I can get credit with almost half of their cost since I work in a bank. In order to pay credit cards, I got loan. When the credit card limit is finished, it is four-five thousand Turkish Lira, I took out four-five or ten thousand Lira. While I pay my debt, the limit of credit card finishes and it continues.” He also regularly uses overdraft account which is his salary bank account and offers withdrawal of money more than the account actually has based on the monthly salary.

Ufuk Y. also took out a consumer loan to be exempt from mandatory military service. He states that “I do not want to go to military service. If the payment to the state was higher, I would have had to go to military service. I took out credit and I paid it in one and a half-months' time. It was not high compared to my salary. When state offers military service exemptions for money, banks provide credit accordingly. I did not get a military service exemption loan, I took out consumer credit.” So does the Hakan K. who is 38 years old and currently unemployed. He states that he does not want to have a gun in his hand. Although citizenship obligations have been committed through debt, the neoliberal governmentality limits social services as citizenship rights. The mandatory military service exemption loan is a consumer credit but named by banks as mandatory military service credit which shows how market generates and supports neoliberal governmentality. After state announced mandatory military service exemptions, banks immediately started to advertise the interest rate and payment duration for military service exemption loans. In 2015, almost 200,000 people applied for paid military service.[12] On the other hand credit rating did not make any exception for paid military service credit. Those who were not granted credit, had to go military service.

Hamdi D. is 43 years old. He is living with his wife and three children. He started to work as a jewelry maker when he was 11 years old. He also opened his

[12]http://www.cumhuriyet.com.tr/haber/turkiye/213837/Bedelli_basvurulari_bitti..._iste_basvuranlarin_sayisi.html, 06.05.2018

own jewelry shop. After his jewelry shop went bankrupt, he started to work in metal-work factories. He described his employment history as fate. Recently he signed a collective agreement with other workers in the factory. His income is 2700 Turkish Lira (601,42 $)[13]. He states that his wife cannot work because of her heart disease and he is the only income generator which he described as being the father of the family. He described his borrowing history as a debt spiral. His third child had a medical condition after birth and the state hospital referred them to private hospital.

"Although the medical costs were covered, there are some other expenses. Also, the hospital was far away to us (their home). I was going and coming back, travel costs and etc. The expenses were covered. If I said they were not, I would be lying. But, you have to stay there, so you end up spending there. I became indebted. I am trying to pay now with my salary, besides it is deducted automatically from my salary. 700 Turkish Lira is deducted. With the rest we are trying to live."

The poverty line for Turkey in 2018 for 4 household members is 5.238 Turkish Lira (1.116,75$). He states that they are under poverty line and hunger line. He is borrowing to cover other debts and describes debt spiral as a monkey business.[14] He describes his livelihood mechanism as nonsense and absurd. The credit card is essential for him and he does not have any option. The referral mechanism to private hospitals shows the incompetence of public services and canalizing the social services to private hospitals. Although the health expenses are covered, the private hospitals are private enterprises which charge for cafeteria or other needs based on market values, rather than a service for basic needs. Although neoliberalism expects rational thought and marginal utility calculations from people, Hamdi D. states, "When children became the topic, you go blind, you spend it."

"Demographic changes", "the exclusion of the poor in the existing system" "negative effects of financial deficit on economy" "the lack of services to cover

[13] TRY/USD:4,4894, 20.05.2018
[14] Ali-cengiz oyunu.

whole population" were the justification of the social security reform of JDP started in 2004. While the universal health insurance which covers the whole population was promoted, the compulsory premium payment of the insurance has not been mentioned (Kapar, 2015, p. 197). The ratio of private health expenditures to GDP increased steadily until 2007, after reaching the highest of 1.94%, it remained stable at 1.64-1.68% (Kapar, 2015, p. 220). Out of pocket health expenditures (% total health expenditures) decreased from 19.24% (2004) to 16.82% (2012), but private health expenditures in total health expenditures increased (Kapar, 2015, p. 221). Those who demand better quality and higher standard protection than the provided social security system have been encouraged to participate in market-specific private insurances. The referral system to private hospitals replaced the investment on development of health services at public hospitals. As Hamdi D. experienced, the lack of adequate social policies causes indebtedness.

Gökhan A. who is 27 years old and works with his father's corner store states that "in the public hospitals they prescribe medicine and dismiss you. We prefer to go to private hospitals." In an emergency, since there are no savings, he often uses his credit card to cover medical expenses. The education credit has also been used as a back-up in neoliberal governmentality. Tayfun M. who is 26 years old, M.A. student and researcher at a university states that he withdraws cash advance through credit card and his family acquires consumer credit in order to pay credit card debt. He also took out credit for his education and his brother's education.

"While I was doing my bachelor's, I was granted a scholarship of General Directorate of Higher Education Credit and Dormitories Institution. After I started my master's degree, instead of the scholarship I took out credit from the same institution. My brother also took out this credit. After my graduation I will pay 10.000 Turkish Liras. My brother will probably pay 20.000 Turkish Liras, because it increases every year, and so does the payment.[15] The credits were for Erasmus.[16] The scholarship provided for Erasmus is not enough. Either you do not attend the program or you will spend your own money. At the beginning in order to get visa, you have to declare your bank statement. That's why we got credit."

The total number of General Directorate of Higher Education Credit and Dormitories Institution credit barrowers is 342 thousand 282 in 2017[17]. It is difficult to assess the number of other education creditors since they usually take out as consumer loans. Since the cost of living in a different city or in a separate house for university students is high, it is common to take out a consumer credit for a private university which is in the city family lives. For example, Erdi Y. took out a loan for private university tuition for his cousin to reduce the cost of living in another city. While the students took out loans for higher education, Recep Tayyip Erdoğan's speech sums up that "There is not any rule that every graduated university student is going to find a job."[18] "It is a shame that a student who got a good grade at university exam and was accepted into university believes that everything is over, and his life is now guaranteed. When he graduates and applies for work he understands that he did not utilized those 4-5 years well, unfortunately it was too late. Yes, there is a diploma, but do you speak a foreign language? No. Do you use a computer? No. Do you understand Turkey's affairs and global issues? No. Did he have experience with the department he graduated from? No. There is not any guarantee to find a job after graduation in the world." [19] In neoliberal governmentality education acknowledged as investing in their own company, which lead students to invest in other sources. In lack of unemployment reduction policies students have to take out loans in order to be valid in the market as Tayfun

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15 General Directorate of Higher Education Credit and Dormitories grants students two types of money; scholarship and credit.

16 Student Exchange program for EU member and other program countries.

17 https://m.bianet.org/bianet/genclik/189358-342-bin-282-ogrenci-kredi-ve-ogrenim-kredisi-borcunu-odeyemedi

18 http://www.radikal.com.tr/politika/erdogan-her-universite-mezunu-is-bulur-diye-bir-kural-yok-956957/, 22.

19 http://www.milliyet.com.tr/erdogan-her-mezun-is-bulacak-degil-siyaset-1296691/, 22.05.2018

M. did. "If you finish university in debt, you must accept the first paid position offered in order to honor your debt" (Hardt & Negri, 2012, p. 10).

"While we are paying this debt, we had to get small credits because of house expenses and little things. Something broke down, phone broke down. You just have to buy it. When you buy them, you cannot pay monthly credit card bill. We lost our control. My parents were both working. But when one of them lost their job and could not find a new one, the income of the household was not enough for debt payments. So, we withdrew cash advance in order to cover the month. But at the end the expense of cash advance added to the next month and you get into a debt spiral. Eventually the cash advances became the real debt. They became the reason of our failure to pay our credit card and credit debts." At the end Tayfun M. and his family get 13.000 Turkish Lira credit in order to pay 11.000 debt. "You lost the calculation at the end. You pay more interest rates in long term." Unexpected expenses led to borrowing since people cannot save. The borrowing became a survival mechanism.

Unemployment is another unexpected circumstance which led to debt. The dissolution of social safety nets led unemployed to borrow in order to fulfill their needs. Hakan T. is 29 years old. He lives with his wife and daughter with 2.700 Turkish Lira. He has been working in metal factories. After he was dismissed from his latest job, he started to borrow money from his acquittances. He also had debt from his home appliance purchases from when he was still working. He explained "It was consumer credit[20], like its name we needed it. Since we had debt, we need to get credit. After I was dismissed from my old job, I borrowed money from my acquittances for livelihood. Ultimately, we have rent, electricity, water, our personal needs. One month of unemployment puts us three months behind." He states that he was dismissed because of his religion. "Because I am Alevi, I was excluded. Why don't you go to Friday prayers, don't you know how to pray?[21]These are unimportant. If a man does his job, comes and goes timely, any other things do

[20] The direct translation of the word for consumer credit in Turkish is need credit.
[21] Namaz

not matter. Human is human.” Other six participants also stated that their indebtedness started or got larger after they became unemployed. Since the savings are low, the only survival technique is borrowing, which became also the only chance for investment.

Ercan G. is 38 years old. He lives with his wife and daughter with 2.700 Turkish Lira. He defines his indebtedness as ignorance. “My indebtedness started in 2014. I said to myself everyone is trying to be rich and make money easier. Now I have been working for almost 25 years. I started when I was 14 years old. I wonder what is easy money, how people earn money easier? My record is clean, if I went to any bank I could get lots of credit. Firstly, I applied for a credit card. My salary was very good, it was 1800 lira in 2014. Credit card arrived with a 3000 Turkish Lira limit. I wondered how I can increase this money. It is like the devil is whispering into your ear. Look how I fell for it. Because you look around, everybody spends money easily. We cannot make ends meet. I did not think about being rich but living easier. It is ignorance. I invested in the stock market.” While Ercan G. defines his investment as ignorance since he did not profit and “he is just a worker”, Christian Laval and Pierre Dardot explain neoliberal raison d’état which determines market as a power to remove ignorance (Dardot & Laval, 2012, p. 210).

The economic imbalance is based on the lack of knowledge of the potential participants in the market. These participants discover any opportunity to gain. The market process is nothing more than a continuation of explorations which remove ignorance (Dardot & Laval, 2012, p. 210). Independently from the result of investment, neoliberal raison d’état promotes entrepreneurship and risk. After all the loss shows the individual’s invalidation in the market which is ultimately the individual’s fault, but the ignorance is removed. Ercan G. gave all of his borrowed money to his friend, who often gains money through the gold market. The friend bought gold with credit and money from credit card withdrawals. In one night he lost all his money which he borrowed and became indebted 100 US Dollars more. “Okay, I am guilty, I do not think someone else is guilty. It was ignorance.” He defines his entrepreneurship as ignorance.

The Homo Agens as Ludwig von Mises defines the man who wants to change his fate (Dardot & Laval, 2012, p. 208). Ercan G. wanted to change his fate and tried to seize opportunity. According to neoliberal raison d'état his ignorance is diminished as he started to consider opportunities. The loss of Ercan G. is his fault according to him and neoliberal raison d'état. Ercan G. fully acknowledges this and set his mind according to neoliberal raison d'état. As he was asked whether he will consider this investment as ignorance if he had gained money, he did not answer. The borrowing opportunities allow him to invest and act according to neoliberal raison d'état.

Esengül U. and Bahtiyar O. are 36 and 38 years old and they have been living together for ten years. Esengül U. is health worker at 112 Medical Services hotline and Bahtiyar O. was working in advertisement agencies. Both of their parents were extremely indebted, they underlined that they are cautious about getting credit. For becoming a partner in a friend's food vendor, Esengül U. took out a loan for Bahtiyar O., because she is civil servant, they assumed that she will be granted a loan easier. Bahtiyar O. explains that his friend would have closed the food vendor, if he could not find any investors. He states that he wanted to seize the opportunity. "Actually, while I was taking out the loan, I thought it may go bankrupt. The amount was 20.000 Turkish Lira. I thought that if we are to sink, let it be so.[22]" Their income is between 5000 and 7000 Turkish Lira. Although they underlined that they are cautious about borrowing, they became indebted almost four times more than their monthly income for an investment which Bahtiyar O. considered it might go bankrupt. At the end, they paid all the debt with their gains from the vendor.

Ufuk Y. states that because he thought the US dollar would appreciate, he got credit and bought US-dollar, but he lost money. He states that he is constantly monitoring the market and trying to invest into foreign exchange or other financial products. Dardot and Laval describe the role of entrepreneur who does not require a capital in the beginning, but rather he has a merchant spirit that pursues every

[22] "Batarsa batsın diye düşündüm."

profit opportunity that he can grasp through information (Dardot & Laval, 2012, p. 208). Ufuk.Y. constantly monitors the market in order to grasp the information. Like Esengül.G. and Esengül.U. and Bahtiyar.O., he does not have any capital for investment. Borrowing created an opportunity to invest or gain money through financial products.

The promotion of entrepreneurship, risk taking and seizing opportunities, in short, the raison d'état of neoliberalism grasp the minds to borrow four times more than their salary, make investments that they called ignorance or constantly calculate and monitor financial markets. These three cases show how financialization holds hands with neoliberalism. The financialization allows neoliberal mind to assert itself. Although the entrepreneur does not require capital in the beginning, using financial tools like borrowing is an example of "rational actor" who can calculate and borrow according to rational beliefs with the aim of profiting.

Zafer D. is 41 years old. He has a construction company and his monthly income is between 5000-7000 Turkish Lira. After his business started posting losses, he started to borrow in order to cover his losses and his daily basic needs. Because of his losses he started to not be able to cover his basic needs. He got consumer credit to cover his commercial losses. The increased volume of consumer credit is also based on the usage of consumer credit for different purposes. His credit cards maxed out several times.

"Every time my credit card maxes out, I always say I will be careful. But it becomes something that you cannot resist to use. Even if you have cash, you feel that you have to use the credit card. You see yourself as out of fashion. You think "I should use the card. I am not stupid to spend money I am holding in my hand." It gives you a sense of belonging. There is a card called OPET[23] which encourages you to buy gas for the car. Then you start to always buy from that firm. You become their customer. You know, like being the customer of a barbershop or a corner store.

[23] OPET is gas station chain.

They try to give you this notion. At some point you start to buy only with that card. They give you some gifts. For 100-200 Turkish Lira shopping, they give you 5 or 10 lira for gas." The credit card is issued by Yapı Kredi Bank. OPET and Yapı Kredi Bank are both belong to Koç Group. "They enthrall you are not aware of it."

Since Hakan K. is currently unemployed, he fulfills his needs through credit card borrowing. "I started to use the credit card, after I left my job. I recognize something that credit card is not for rich people but for people who have financial difficulties. Because the credit card usage is based on constant borrowing and spending money which does not exist. This situation continues with paying the debt without money while trying to live and survive. I was in that spiral. Both my credit cards closed. One and the half months ago, I started using them again. While I could not use my cards, I postpone some luxuries. When you want to do shopping, your credit card is ready. You get into this relaxed psychology. When you do not have a credit card, the shopping became something that you do not need. Because we create needs." According to Hakan K. and Zafer D. borrowing creates a purchasing power which allows people to spend more than they earn and will earn in the future. Besides borrowing allows to spend easily and create needs which are not acknowledged as needs without borrowing capacities.

Ufuk Y. states "Internet requires credit card usages to buy flight tickets or other shopping on the internet. I think a credit card has a psychological effect, while you are paying cash and taking the cash money from your pocket, it is hard, but when you use a credit card it is easily. You spend money easier than cash. In order to not use the credit card, you have to live a very calculated life or you have to keep track of your spending. However most of the people do not do it."

Ercan G. defines how banks insisted on him getting a credit card and even lied to him about it. "Before that I did not have any credit cards or loans. Because my records are clean, every bank was calling me and trying to give me cards or credit. They were sending me cards, but I declined them and sent them back. One day some of them came and told me that this is a shopping card with discount benefits. He made me sign. Then I checked it and it was a credit card. I swear, I don't lie. On the other hand this is his job, maybe he has to do it. But why did you trick me?"

The advertisements about credit have increased over the years. The bank slogans like "help", "your credit", "immediate credit", "everyone needs a financier" creates an aid-oriented atmosphere which abuses people who have financial difficulties. Additionally, opportunities like OPET card or other discount cards extent the financialization of society and credit card usage. These advertisement strategies and products show the banks approach towards consumer credits and credit cards. The decreased savings and demand based economic growth are a result of these changed consumption patterns and purchasing power created through borrowing.

3.2.2 Life of Indebted Man

What neoliberalism imposed as economic policy directly affects reasons for indebtedness which wage repression are, cutting social expenses and promoting private initiatives for social policies and unemployment policies. Additionally, generation of "rational, self-made man" resulted in indebted man. Moreover, increased purchasing power through borrowing led people to change their necessities for spending money which is another reason for indebtedness. In neoliberal governmentality indebtedness serves as a disciplinary mechanism for every aspect of indebted life. The indebted reorganizes his life in accordance with the purpose of payment of debt. 19 years old Mehmet K. postponed starting university in order to pay the debt.

Unlike Esengül U. and Bahtiyar O.'s investment, the family textile atelier of Mehmet K. declared bankruptcy after 15 July military coup attempt. He took out loan to start a family business. He states that "If we did not start a business, we will be workers. We just wanted to try." Since he and his father were the only two who work formally in the family of ten, they both got credit. His brother works informally and his sister is a university student. He also got credit for his sister, since she is studying at university and does not work. His father pays the mortgage. Now he is working as a waiter for minimum wage of 1.602 Turkish Lira. He pays 1000 Turkish Lira each month for the debt and he spends the rest of his salary on living expenses. He responds to the question of how his life changed after being indebted, he answers according to his age "Before debt, I could go to go-kart with my friends, I love racing, it is a passion for me. Now I cannot go." He was not fully aware of the fact that he had set aside one year of his life to pay the debt.

Although long term loans increase the volume of interest payments, debtors often prefer long term payments, because of the small portions of monthly payment. Hakan K. states that he paid high interest because he chose 48 months payment. He said "I sacrificed time." In order to pay smaller amounts, he chose forty-eight months. Smaller payments allow him to continue his life. If he had a shorter-term payment plan, he would not have enough money to fulfill his needs while he was paying the debt. Through the payment period, the rest of the income covers usually only basic needs. Mehmet D. states, "My debt started in 2012, now we are in 2018. It has been six years. You see these years as blank. Actually, you do not live, you do not live yourself." During the payment period, the debt became the center of the debtors' life. Hakan T. says "You are always thinking of the debt. What will I do tomorrow, what will I do the day after tomorrow, what will I do next month, next year. You can only think on these matters."

Paying the debt becomes the number one priority of the indebted man's life. "Sometimes I thought, I wish I was fired and I acquired some amount of money to pay down the debt" stated Yusuf Ç. He cannot even think of his livelihood or whether he can or cannot find another job in order to earn the money. In case of unemployment, he would probably borrow again. At that moment, he can only think of paying the debt. Despite the fact that the debtor is "free", he limits and organizes his life according to payment of his debt. Yusuf Ç. says "You cannot go out, you cannot have tea with your friends in a café. You cannot take your family to a park. If you do not have money in your pocket, you cannot go out. You worry that your child will ask for something and you won't be able to buy it. Simply, you cannot go out. Other social activities like going to the movies or the theater, cultural activities you cannot even imagine doing. You crawl into your shell." The debt does not affect only the debtors' life but also his family. Hamdi.D.: "I teach my children absence, poverty. If they need two pair of shoes in a year, if you have to buy it, you manage with one pair of shoes, in winter and summer. You know they said "manage it"[24]. We live according to "manage it"."

The creditors also request the debtors to have a life based on payment of the debt. Mehmet D. is 33 years old. After he was defrauded in 2012, he started take out loan and borrow money from acquittances in order to cover his loss. He stated that he has debts to banks, money lenders and some of his family members. "You cannot stop people to talk. Actually, some people see how I live despite being in debt, they get jealous and they want to see me taken down. Since you have debt why do you live like this. The people who I owe money to start to give you advice, interfere with your life. Don't do this, you cannot do this. You cannot go out to party. You are indebted, they cannot even digest that I have a girlfriend. Because they cannot live that life. They think that because I am indebted, I do not deserve a life. They think that firstly he has to pay his debt to me. But he gets interest every month. Meanwhile he says you cannot live like this."

Yusuf Ç.: "You want to borrow when you need money. Maybe they do not give or cannot give. These put some distance between people. Set aside your friends, even when you ask from your father, he asks what are you doing; you are working, why is your salary not enough; why can you not manage with it (income); what are you doing with the money? He talks like you do not approve your way of life. It looks like you are living a very luxurious life from their side." The debtors' life seems from the eyes of society, his family and creditor like living in luxury and he does not know how to manage his financial difficulties. The neoliberal governmentality branded the poor as being "picky", "lazy", "irrational" and rational as constant calculation to profit. Indebted man is the combination of both, he has

[24] İdare et

financial difficulties and he cannot calculate. As Mehmet D. stated "They look at you as if you were a leper. You are risky, when they see you are not on the solid ground and something can happen, they start to pressure you." According to neoliberal governmentality, he is the only responsible party for not being valid in the market. Since he has debt, the raison d'état of neoliberalism defines indebted as irrational. Accusations of living in luxury or questioning the management of financial condition shows how debtors' life style and choices are considered invalid for regime of truth.

The debt also disciplines the work and income generation. Since the debtor organizes his life according to debt, he also has to be sure that the debt will be paid, which requires constant income during the payment period. Yusuf Ç. explains how debt serves as a disciplinary mechanism in business life: "Of necessity you resign yourself[25] to some things. You take jobs that are not worth working at, jobs where the working conditions are very hard, but you have to work anywhere. This is the strain of being indebted. If you do not have debt and your financial situation is better, you will not be exposed to repression, you stand up for yourself and demand your rights. You will work in better conditions. For example, while I was working in needlework, they did not pay overtime. I was indebted in that time; my first child was just born. (His son is 23 years old today.) I was just buying furniture for my home. I started to work. It was 12 hours, one week day shift, one week night shift. It was very hard. I was feeling offended, because I know the working hours should have been 45 hours per week. When you first started, they do not immediately start your social security payments. They say probation period for two months, but it becomes six months, one year. We are forced into this because of debt."

In order to pay his debt, Ercan G. claimed his severance payment. Then he was dismissed. He could not find a job for a long time, while his debts were increasing due to the new debts and interest of the old debt. "I could not practice my profession, I worked as waiter." He underlined that he would have done any job and he considered himself lucky since he found the job as waiter. As an employer

[25] Boyun eğmek

Zafer D. states that “It is easy to give money as debt to your employees. However, it is interesting that you calculate his income after he asked to borrow money from you. The numbers become very important. When your employee borrows money from you, they work better since he receives his salary in advance.” He does not offer money to employees based on their needs, but rather calculates his possible loss. He was not aware of his implementation of borrowing a disciplinary mechanism for his employees. Since working is the income generator to pay debt, working became essential, which forces the indebted man to ignore bad working conditions or takes away the ability to choose a job.

Mehmet M. is 33 years old. He lives with his wife and twins with 2800 Turkish Lira. Although he is supported by his family during hazelnut harvesting season in the Black Sea Region, his income is insufficient. He got his first loan for his wedding and setting up a new home. After the first credit payment was finished, his twins were born. “I could not manage to buy enough baby food or diapers for the twins. The minimum wage was not enough, so I got credit again and it continued like that with unending debt.” He defines indebtedness as sometimes a good thing, because through debt he can buy. He was the only one in seventeen interviewees, who defined indebtedness positively. “Indebtedness depresses you. Then you leave home and go to your village. You send your wife to her parents. You get to relax yourself. Because we are used to it, it is not a good thing normally. You are separated from your wife and children but you relax yourself.” He explained that he received psychological treatment. He was granted leave from work for three months. He was prescribed medicine during the treatment of five months.

Zafer D. explained how being in debt affects his psychology; “Borrowing is a bad thing, I did couple of times. Being in debt puts you in edge. Now I understand very well, the people who commit suicide because of debts. The feeling and psychology of debt lead people to commit suicide.” Ercan G. also thought of committing suicide. “You should spend what you make. In one day, I took on a mountain of debt. On the internet, I saw big players in the stock market who shot themselves in the head live. I understand them. Imagine he has a family and everything. I asked to myself what I did. In order to pay debt, I started to play horse race, Iddaa[26], which I do not understand. Believe me I do not understand. I became more indebted because of my ignorance. What can I do? I guess I should commit suicide too, there was nothing else to do. I thought about. One time I thought committing suicide. I was desperate.”

One of the agreed interviewee informed that he had to attend a funeral, but that he could be interviewed after the funeral. However, he did not return calls and his son informed that the funeral was for his friend who committed suicide due to his debts. After this funeral the interviewee did not want to talk about his debts. Interviewee Erdi Y., is 27 years old and he got credit for his cousins’ university tuition fee. While he is working as waiter, he is preparing for KPSS (Public Personnel Selection Examination). He plans to take out a mortgage after he became a public servant. He continues to explain that he will acquire loans in the future, along with their purposes which will be marriage and children. At the end he rhetorically asked why these questions are being asked and expressed that he felt depressed by remembering. Although in neoliberal governmentality it is expected of individuals to act as an enterprise and the indebted cannot declare bankruptcy, which leads to hopelessness and desperation. None of the interviewees had hope for the future and living without debt.

The indebtedness does not only affect indebted psychology, but his family. Hamdi D. was also concerned about his children’s psychology. “I picked up the wood that was thrown in the trash at the factory and I took them home and warmed up my kids. Now, can you imagine the psychology of children in this environment? How can they become successful growing up in this environment? How good can the school life be? What will be their social development?” These rhetorical questions sum up the concerns of Hamdi D. regarding his debts effects on his children.

[26] A firm that allows betting on futbol matches.

Bahtiyar O. tells the effects of his father's debt on him; "My father has been always indebted. Commercial credits and borrowing from friends. He was always in the debt spiral. He was always in financial difficulty. I learned to be cautious for credit. I remember he was always borrowing, he expanded his business and went bankrupt several times. The creditors were calling and my father could not be at home until he paid the debts. That's why I am very cautious, my friends who have the same income are braver to get credit or start a business." Esengül U.'s father was also a tradesman. He had debts denominated in dollars. During 2001 crises, he had debt in dollars and the value of dollar increased suddenly. His debts were affected by this increase. "I was a child but unavoidably I was affected. He could not sleep, he was thinking about how he would pay. He had a car and he had to sell his car. I was in a boarding school and he could not come and visit me. The debt affects all the aspects of life. Other children can spend, you cannot and you know your father's financial stance is in crisis. You are living this crisis with him. You are sad, but you cannot do anything to help your father."

Although Bahtiyar O. and Esengül U. became cautious about borrowing, Doğuş Ç who is a 25 years old university student became more relaxed about debt since he experienced seizure of his computer because of his fathers' debts when he was a child in middle school. "I was very angry at my father. I worked in summer in textile atelier, paid a part of his debt and got my computer back." His credit card was blocked, after he could not pay couple of months. He says, "I do not know how much my debt is. Seizures do not happen as easily as before. I have heard these rumors a couple of times which I am counting on. After I finish my university, I will find a job and pay my debts." He states that his life is not affected by debt because he is not paying. "I saw what it is. I saw in the movies. It is seizure. I also saw that some of our neighbors experienced it. It can happen. When you experience this, you overcome the fear. The image of officers claiming your belongings and taking them away becomes something that you are not afraid of."

Gonca D. is a 35 years old divorced single mother who has 3 and 17 years old daughters. She recently divorced and she does not get any financial support from her ex-husband. Her brother and mother also live with her. She is indebted through credit cards after being unemployed and unable to find a job. Now she is working for 2.800 Turkish Lira. She explained that her daughter is mentally depressed. When her mental state was asked, she said “You felt depressed. They came to your door every day. You were called every day. You wondered what if they would carry out a seizure and claim all of your belongings. I have three to five pieces of goods, what will I do. How can I send my children to school? How will I explain myself to them, that I cannot work, I was dismissed, I cannot find a job. They will not understand. I broke many people’s hearts. I was very aggressive. I did not tell people that I had financial difficulties, but I reflected it onto my daughters, mother, brother and husband that I was financially strained. You cannot tell them. When they asked, I said nothing. I do not want to tell them, because it is my problem. I borrowed.”

Instead of externalizing and fighting power relations, the indebted internalizes them. He feels embarrassed and guilty (Lazzarato, 2015, p. 58). According to neoliberal raison d’état the failure is always the individual’s fault and Gonca D. not only felt embarrassed to her family because of her debts, but also felt guilty and embarrassed toward her “creditor”. Besides she also assumes and accepts that the creditors will acknowledge her delayed payments as her fault, rather than the economic system or the power relations. Gonca G.D. “I do not like borrowing. I also feel uncomfortable in my conscience. You get it (credit) and spend it but you cannot pay back. This makes me sick and uncomfortable. It is necessary, and you spend it anyway. They do this kindness to you and give you something. They are entitled to it, not me.” Although she has to get credit for basic needs and expenses, she does not question her need for borrowing, rather she sees credit as an act of kindness.

Hamdi D. says, “Sometimes I change my way to go to home in order to avoid the market. Because I feel small and embarrassed, because I gave my word to pay my debt to him, but I could not pay. I have become a liar in his eyes. I change my way.” The promotion of individualism by neoliberal governmentality led to indebted to blame their self and not getting in the root of the problem which is financial difficulty caused by reel wage repression and dismissal of social safety nets and social policies implemented through neoliberal economic strategy.

Not only state provided social safety nets, but also the family based social safety nets dissolved as individualism is promoted. Social nets were replaced by banks. Esengül U. states that she would get credit from the bank, rather than borrow from a family member. After her brother was indebted because of his friend's usage of his credit card, nobody from her family supported them. "We were desperate, we were always talking about debt and money. Peace in our family was lost. My brother and father asked my uncle's son to borrow ten thousand lira and he did not lend it which was a devastation to us. They thought about themselves and were not sure that we would pay back. Our relations still continue, but we always remember that they did not support us in that time while we were desperate."

While Esengül U. defines this lack of social safety nets to Black Sea Region culture and individualism, Bahtiyar O. who comes from eastern Anatolian side of Turkey explains how his uncles supported his father during his financial difficulties. "The reasons why we did not experience indebtedness tragically are the family relations and their traditional ways. There is debt but there is also support and solidarity. If we struggled for debt in metropole, it would have been different. Because I am disconnected from family solidarity net, I am more cautious". His statement about eastern Anatolian Turkey was also supported by Erdi Y. who is from Batman and he got credit for his cousin and also by Ömer T. who is from Bartın and used his uncle's credit card for marriage preparations. Zafer D. is from Van and he explains,"We have this debt culture. You give money to someone who is your brother or friend. You do not expect to receive it back. This might be rural culture." According to raison d'état of neoliberal governmentality, giving money without calculations of receiving back or profiting is irrational. Zafer D. defines this behavior as rural culture which he uses to mean as being irrational.

On the other hand Zafer D. asked to borrow money from his childhood friend and he was rejected. "My childhood friend, same culture, same ideology, same neighborhood. His financial condition is very good, he has a textile factory. I could not even borrow ten thousand Turkish Lira from him. He did not lend it. He thought, ‘This is my friend. He could declare bankruptcy, what will I do? I cannot take his life.’ He did not give me money. I know he is not a bad person. I am sure he felt sad about this.” Mehmet D. is from Diyarbakır. After he borrowed money from his cousin and delayed his payment, his cousin put a knife to his throat. The social relations of the indebted are not only affected by debt itself but also because of asking to borrow. Mehmet D. explains, “You do not want to listen to your family or spend time with your family. Maybe they say something good as advice but my only need is money. I do not need guidance or wisdom. I need money. Can you afford it, no. Then I say let’s not talk about this.”

Since paying the debt became the priority of indebted life, he assumes that only help he can get is money. Ercan G.: “I said to my brother, give me money, not advice.” He described this conversation as behaving shamefully and act of his psychology. He regrets this conversation ever since. They are neighbors, but they do not talk. The relations of indebted become based on money. “My wife was very patient. What is she supposed to do? She loves me but she is in a difficult situation. We were about to divorce three times. Actually, we do not have any problems, it is all because of the financial situation.” Ercan G. also explains how he tried to avoid his child because he cannot provide for him. Ercan: “Sometimes my child called me and asked for milk. I cannot buy. I cannot go to the grocery store because of my debts to the store. What is the cost of milk, two and a half lira, but I cannot buy it. I am waiting for my child to sleep to go home.”

In order to save his relationship, Yusuf Ç. got credit without telling his wife. “We are indebted and have financial difficulties. I got credit without informing my wife. It was very difficult in that time. You could not buy anything and your credit cards are full. Meanwhile, you know that you cannot pay. If you take out another loan, you know you will not be able to pay it. Nevertheless, I got credit and we were comfortable for couple of months. If I told my wife, she could not allow me. But if I did not get credit, it could have led to another unpleasant outcomes. Our relationship might have ended. I did not want it to come to that point, so I got credit.” She still does not know he got credit.

Sometimes the financial difficulties and debt creates festering sores. While Tayfun M. was doing his M.A. and not having an income, one of his family member accused him to be “idler” and "ungrateful". “You became a nervous, tight person which affects your relationship with your girlfriend, brother, parents and friend. There is a fight in the slightest case. Even though it was actually spoken in the heat of the moment, when you hear the word, you are emotionally broken. It can open a wound that cannot be restored.”

Hakan T explains his changed relationships: “Ten years ago, there were not any problems. Now if you do not have money, nobody calls you. Everybody starts to think based on money. I am also thinking. Nobody opens his door to anyone.” Besides the indebted also isolates himself form friends. Ömer T says, “After my friends covered the bill, I did not want to go out with them anymore. Because I feel ashamed.”

3.2.3 Generation of Consent for Neoliberal Governmentality

While borrowing opportunities create purchasing power which was spent on either basic needs, entrepreneurship or to compensate lack of social policies, the debtor organizes his life according to payment of debt. The reorganization was not forced by the creditor but rather the debtor prioritizes the payment of debt in the first place. Debt became the dispositive of neoliberal governmentality which secures the raison d’état. On the other hand, debt became a product, which can be bought and sold.

The bank retained a lawyer in order to claim the payment of credit debt and its interest from Ercan G.. The lawyer calls Ercan G. regularly and he explains that he records everything which he can use at court. “She is a law unto herself, she charges interest as she pleases. If it is not legal I will get it from her. If it is legal okay. I cannot do anything. If it is not legal and if she presumes that I am an idiot I will get it (money).” Ercan G. recognized and acknowledged the interest charge and the laws. He did not halt payments even when he questioned their legality. He states that “banks do trade”. He often got text messages that he can get the interest payments of between 2005-2012 back. “Now because I am indebted my hands are tied, after I pay my debt, I will attack them. I pay my debt, everything is legal. There is court and prison. If I pay you, you will also have to pay me the money I am entitled to. If they overcharged.” He acknowledges the interest payment and mechanism of banks and laws as protector of these mechanisms. The consent is generated for neoliberal governmentality, as he accepts the role of the state as creator and guarantor of the institutional framework for the market.

Additionally, borrowing has been used as a purchasing power and wealth creator by neoliberal governmentality to manufacture consent. Zafer D. says “Borrowing affects voting behavior. Despite coming from leftist culture, I have been affected by the thought that the stability is good and Justice and Development Party provides economic stability. I saw that this belief mesmerizes many people. This perception is generated by media actually. For commercial needs, everybody borrows money. For buying a house, car, commercial purposes you get credit, which destabilizes your life. Even the smallest things affect your financial situation.”.

He also explains, “I have one friend who lives in Russia and has a Russian wife. He has thoughts on doing business in Turkey. He said that the most important thing is economy, so I will vote JDP, who manages economy very well. Then I said, but your wife is Christian and Russian. He said it is not important, she can cover her head. Our economy is more important. He said I can live a fundamentalist life, as long as my financial situation is good, my livelihood is comfortable.” The friend of Zafer D. has no financial difficulties. He explains that everybody worries about their financial situation. “Whether you do 3 units or 5 units of work you worry about your livelihood.” Zafer D. was the only interviewee who actually underlined the fact that individuals are linking their fate to the operation of the market.

Five of the interviewees stated that the economic policies are the reason why they are indebted and the political parties do not have any difference regarding the policies towards labor. Gonca D. stated that none of the parties can save her from her debts, since she borrowed the money and she has to pay. She separated economy from politics and embraces the neoliberal governmentality and role of the state in it so much that she has never voted. Other interviewees stated that their voting behavior is not affected by debt. The interviews took place in state of emergency environment which limits the participants to answer whether the indebtedness affect their vote for any party. It is observed that, while the participants freely explain their psychology or relations with friend and family which are actually more private, regarding politics the interviewees felt uncomfortable. They often stated “that’s it”, in order to avoid further questions regarding politics.

Actually, not only Justice and Development Party used borrowing mechanism and debt as consent building mechanism. As an election promise Good Party announced deleting debts on 7th of May 2018.[27] “Debts is not your fate, we will delete”[28]was the slogan for the promise. The press conference started with the introduction of indebtedness of Turkey and continued with proposal of deleting some of the debt and procurement of the debts from the banks by the state. Initially the debtor can pay without interest and in ten years. Although the announcement declares the reasons of indebtedness as unemployment, high cost of living, low wages, the project does not propose any solution for these problems. The proposed policy fits in the neoliberal governmentality. The neoliberal governmentality is not a policy that is implemented by specific government, but rather a set of minds. As an opposition party, Good Party does not challenge the government which has implemented neoliberal policies successfully in the past the sixteen years, but rather proposes a policy that remains in neoliberal governmentality and does not question he reasons of indebtedness. While proposing this campaign promise as “not a

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[27] https://www.facebook.com/meral.aksener.9/videos/1706745222748440/, 12.05.2018
[28] Borç Kaderin Değil Siliyoruz

populist project, but rather a redistribution project", Good Party recreates the consent to neoliberal governmentality.

The interviewees who have between minimum wage and 3000 Turkish Lira income did not distinguish indebtedness from financial difficulty, since they use borrowing in order to cover basic needs. The production of indebted men was achieved through neoliberal economic policies. Wage repression and dissolution of social safety nets and services resulted in indebted people who can only fulfill their basic needs through borrowing. While neoliberal raison d'état sets the minds to individualism and market validation, the indebted acknowledges his debts as only his fault and himself as failure in life. The neoliberal governmentality disciplines his life, time, consumption and relations, which resulted in masses consenting to neoliberalism. At the end the indebted suppress himself and cannot oppose the cuts on social services, low wage or the main reason he is indebted. Like other dispositive of neoliberal governmentality, debt let debtors apply to themselves the regime of truth without any force or repression.

CONCLUSION

In Düzkışla Village in Uşak, 115 people make a living from agriculture and stock raising. Most of the villagers were under debt enforcement proceedings due to outstanding unpaid debts to banks and cooperatives. With the ones who vouch for those who cannot pay their debts, the village has almost no residents who were not facing debt enforcement proceedings.[29] When the debtor dies, the debt passes to their guarantor, which resulted in the whole village being indebted. The villagers started to sell agricultural fields, tractors and other means of production. This caricature-like example shows the extent of indebtedness in Turkey.

This thesis aimed to investigate social cost of consumer credit indebtedness. The qualitative field study by in-depth interviewing with eighteen debtors allowed thesis to show experiences under debt. The interviewees are selected from different backgrounds, age, and income which serves field study to understand diverse experiences. The semi-structured questions are used for creating an open space for debtors to tell their experience under debt. Additionally, the interviewees have different forms of indebtedness, such as "education credit", "health credit" or "military service exemption credit", so the field study aims to understand which conditions forced debtors to apply for credit. The results of the field study did not aim to generalize debtors' experiences but rather provide insights of debtors' life; and moreover, it pointed out the fact that statistics about consumer credit did not present the whole story of indebtedness.

The first chapter introduced the transformation of the world economy towards neoliberalism, which has not only remained restricted in economic policymaking but rather expanded to social and political context. Financialization became the most important component of this transformation. The chapter presents the expansion of neoliberalism through explaining how the market became the regime of truth, and how indebtedness served to neoliberal governmentality as a dispositive. Since the field study took place in Turkey and the motivation of the

[29] http://www.hurriyet.com.tr/bu-koyde-herkes-icralik-40310216, 12.05.2018

thesis was to understand how indebtedness served as a tool of containment of mobilization or reaction against the misdeeds or discontents of the neoliberal transformation, the second chapter focused on the history of neo-liberalization in Turkey. Turkey, as a state, had been forced to adopt neoliberal policies as a condition for borrowing. However, the period of successful implementation of neoliberalism became successful through building indebtedness among society which creates a purchasing power and wealth among society. The theoretical chapters supported the field study theoretically and grounded the debtors' experiences on Turkey's socio-political history.

The reasons behind the increasing demand for individual debt are increased unemployment, stagnation in real wages, privatizations and the spread of precarious employment. In times of unemployment, the borrowing became a survival mechanism to fulfill basic needs. The changed demand and supply patterns after 2001 affected the capital accumulation method which ultimately influenced borrowing. After the 2001 crisis households became increasingly a profitable source for banks which led them to advertise more about borrowing opportunities and offer new products like mandatory military service exemption credit. The anti-statist policies caused insufficient social services and canalizing the social services to private sector added new expenses, which were deducted from disposable incomes. Additionally, changed consumption patterns directed large segments of society to consume more than their budget through borrowing.

These four reasons of indebtedness have been formed during the transformation of Turkish economic system to neoliberalism. Since 12 September 1980 military coup, Turkey issued a series of structural reforms included changing capital accumulation strategy to export orientation, adopting convertibility as IMF instructed, allowing capital movements inside and outside of Turkey and series of other reforms which promotes free market, competition, integration to global economy along with suppling cheap workforce in international division of labor, dependency on foreign capital inflows and jobless demand base growth.

However, the transformation continued almost forty years. Starting from 1980 Military Coup which secured authoritarian atmosphere, without any economical identity base struggle, neoliberal economics started to be settled. The identity politics granted the Motherland Party the notion of individual libertarianism rooted in neoliberal transformation, which allowed to manufacture the consent among the urban and market-oriented social base. However, the MP was not able to gain consent from other counter-parts of society, which appeared in both electoral results and organized working-class activity, such as the 1989 spring protests and the strike by Zonguldak mine workers in 1990–91. Until 2001, none of the thirteen coalition governments that were formed by different parties representing different segments of society succeeded to build hegemony. The changing policies between populism and neoliberalism show the political hegemony crises of 1990s among society in which none of the political actors build consent.

Although Turkey witnessed the greatest mass social movement "Gezi" during the years of the JDP government, it was not a social movement that based on reactions towards neoliberal economic policies. The JDP consolidated and legitimized the neoliberal economic policies. In first five years the JDP utilized the awakened international capital movements and the idle capacity that could have not canalized into production between 1997-2002. The economic model changed after the JDP came to power with large electoral support. Ironically the success was partially achieved through active propaganda against the IMF and its programs, but the adopted economic model was same as the IMF instructed. While creating a heaven for international capital through privatizations, bringing a great deal of flexibility to labor markets, restructuring of public administration, deregulation of the social welfare and public health systems and alleged 'de-politization' of the monetary and fiscal policy-making, different wealth creation and purchasing power generation techniques were applied such as social aid and increased borrowing opportunities. Social aid, the Green Card, conditional cash transfers, free distribution of school books, and the subsistence aid given by both the Social Aid and Solidarity Fund of the Prime Ministry and foundations allowed the JDP to build consent among society. Increased borrowing opportunities also served as a dispositive while the JDP implemented and continues to implement neoliberal reforms.

"For once the economic system is organized in separate institutions, based on specific motives and conferring a special status, society must be shaped in such a manner as to allow that system to function according to its own laws. This is the meaning of the familiar assertion that a market economy can function only in a market society" (Polanyi, 2001). Karl Polanyi's diagnosis about market regulated society was accomplished in neoliberal age. The market was acknowledged as the natural mechanism, which acts as a verification mechanism processing freely without any interventions and restrictions. Neoliberalism managed to embed market as a regime of truth in political and social context. The promotion of "rational individual" changed the cultural, moral and intellectual contexts which legitimates the neoliberal governmentality to reorganize the labor market. Hegemony of neoliberalism achieved through various dispositive through that individuals apply to themselves a regime of truth without any force or repression. Indebtedness serves as a dispositive in neoliberal period.

The originality of this period underlies not only the rapid increase of indebtedness but also transformation of debtor-creditor relationships, social-economic transformation, in which indebtedness is experienced. Firstly, the possibility of making borrowing created an option for prosperity for the households whose income does not increase as rapidly as their consumption. On the other hand, the debt became a necessity to survive in lack of public services, poverty and unemployment policies. Fulfilling needs through debt means spending future incomes, and in the case of earning the same income or a decrease in income it results in a debt spiral. Indebtedness creates new power relations which control he future of the debtors' life. The supervision, oppression and discipline are implemented by the debtor himself, not by an outside force. During the refund period which can continue twenty or thirty years, the borrower has to organize his life for the purpose of repayment which can result in for example bad working conditions without safety and security. Debt builds bridges between the present and the future and claims wages and revenues of the future. In other words, debt became an apparatus of neoliberal governmentality to discipline time, demand and consumption.

Secondly, the new regime of truth tied the success of political actors to "business performance". Economic growth, inflation, current account deficit became the indicators which determine whether the governments succeed. However, these indicators did not directly affect the prosperity of the people and the distribution of wealth. The increase of individual borrowing changed this perception and raised the demand of economic stability from political mechanism in line with individuals linking their fate to the operation of the market. Additionally, the individuals' welfare already became his own burden, which dissolves the contract between state and individual citizen and dissolution of citizenship right base policies of social, poverty and unemployment. The increase in individual borrowing and the inclusion of large segments of society by the financial system generated the two main outcomes; the discipline of demand, consumption and time and hegemonic construction of neoliberal hegemony. Debt relations were not formed during the financialization of neoliberal age. However, financialization in times of neoliberalism changed the debt relations.

The main aim of this thesis is to understand the social context of indebtedness that limits the thesis into the consumer credits and how they became a disciplinary mechanism of neoliberal governmentality. However, the indebtedness includes state's indebtedness and how it socialized as well. Austerity policies for indebted countries are also a disciplinary mechanism through which the early capitalized and creditor countries discipline the borrower states, their economy and their societies. On the other hand, as one of the interviewees explained, the employers link their fate to the market, which affects their political choices. Recent tax amnesties or debt restructurings have been granted for specific capital groups. Additionally, the borrowing opportunities from public banks also have been granted for specific capital groups, which raises the question of how commercial credits became a dispositive in hands of neoliberal governmentality and how the clientelist relations are formed.

Returning to the question of what the social costs of consumer credit expansion are, the interviews showed that most of the debtors did not differentiate effects of financial difficulty from being indebted. This shows that borrowing became their reason to have financial difficulty and a survival mechanism while living in financial difficulty. While the payment of the debt became the center of the debtors' life, his time, life style, psychology, work, relations with family and friends circle around the debt. Borrowing also changed the demand and consumer behavior, which resulted in creation of needs and so-called consumer society. Meanwhile the created purchasing power eases the burden of contraction of the labor share of income, insufficient social services and precarious work environments. The inclusion of finance created political consent as what Gramsci called "common sense" for neoliberal governmentality to be the protector of the market. More succinctly, consumer credits became a soft transformation apparatus which disciplines demand, consumption and time and builds hegemony of neoliberalism.

To fulfill basic needs and insufficient social polies resulted in taking out a loan. Besides credit opportunities resulted in changed consumption patterns and creation of needs, which causes the spiral of debt. In neoliberal society constant calculation and seizing opportunity forces people to make investment or forces to find other ways to earn more money. People also took out loans to make investment. After debt, debtors force themselves to organize their relations with family and friends, lifestyle, work, in short, every aspect of life. The discipline does not come from outside force, but from the debtors themselves. One point that every interviewee underlined was that they live to pay debt and payment of the debt became the purpose of their life. At the end the demand, consumption and time of the debtor disciplined. Indebtedness served to neoliberal governmentality as a dispositive. Furthermore, the debtor also can spend more money which provides extra purchasing power and an artificial wealth. As a result, the debtor started to demand economic stability and have not been reacting against neoliberal policies but rather embraces market as regime of truth. Although the interviewees were cautious to respond the questions regarding the changes of their political behavior, their stories and experiences under debt shows that they acknowledged market as regime of truth as neoliberalism aimed to. The hegemony of neoliberalism was built. Thus, the neoliberal policies maintained, and homo-economicus reproduced again through re-taking out a loan for investment to seize the opportunity or for education to invest on himself or for basic needs in insufficient wages and lack of unemployment policies. The qualitative research provided insights of different experiences under debt. These different experiences converged on the social cost of consumer credit expansion is beyond statistics which is provided by economic analysis but rather a sociological phenomenon. The interviews served to connect an economic phenomenon into political and social context, in order to understand social and political construction of indebtedness and vice versa. The social cost of consumer credits also indicates that other economic phenomenon has social costs which are waiting to be explored.

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ANNEX 1 IN-DEPTH INTERVIEW QUESTIONS

İsim-Soyisim	Name-Surname
Yaş	Age
Cinsiyet	Gender
Eğitim Durumu	Education Background
Gelir Durumu (Asgari Ücret-3000/3000-5000/5000-7000)	Income (Min. Wage-3000/3000-5000/5000-7000)
Hanehalki Kişi Sayisi	Household Members
Demografik Özellikler (Ne Kadar Zamandır İstanbulda Yaşıyorsunuz?)	Demographic Background (How Long Have You Been Living In Istanbul?)
Biraz çalışma geçmişinizden bahseder misiniz? Nerelerde çalıştınız?	Could you tell me about your employment history? Where did you work?
Temel ihtiyaçlarınızı nasıl karşılıyorsunuz, karşılayamayınca ne yapıyorsunuz? Hangi kaynaklar üzerinden karşılıyorsunuz?	How do you fulfill your basic needs? What do you do when you are not able to fulfill your basic needs? Which sources do you use?
Nasıl kredi aldınız? Süreci anlatır mısınız? Kredi kartı kullanımızı anlatır mısınız?	How do you take out loan? Could you tell me the process? Could you tell me your credit card usage?
Borçluluk hayatınızı nasıl etkiliyor biraz bunu açar mısınız?	How is your life effected by debt? Could you tell me explain me more?
Sizce, borçlandıktan sonra hayatınızda değişim oldu mu? Nasıl?	Do you think that your life changed after you become indebted? How?
Sizce borçluluk sosyal ilişkilerinizi etkiledi mi? Nasıl? (aile/arkadaşlar)	Do you think that indebtedness effected your social relations? How? (Family / Friends)
Bir partiye oy veririken borçluluk sizi etkiliyor mu?	Does indebtedness affect you, when you vote for any party?
Bir gün gelicek borçlanmadan yaşayacağım diyebiliyor musunuz?	Do you think that one day you will live without debt?